

BBC PRODUCER CHOICE
AND
THE MANAGEMENT OF
ORGANISATIONAL CHANGE

A thesis submitted for the degree of Doctor of Philosophy

by

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June 1998

ABSTRACT

Producer Choice was the title given to the trading system, designed around an internal market, which was introduced at the BBC in the years between 1991 and 1994. The initiative represented the biggest organisational change in the BBC's history. The political background to Producer Choice was conditioned by the perceived need of the BBC to ensure renewal of its ten-year Charter in 1996. Producer Choice helped to secure Charter Renewal because it provided the means whereby new accountability and cost measurements were set in place. The 'command economy' of the old BBC was to be replaced with an internal market, and the organisation given an enhanced managerial focus.

Using a combination of participant observation, semi-structured interviews, an analysis of all relevant documentation, and the application of theory concerning processual models of change, the nature of bureaucracy, changes in public sector management and the shift from hierarchy to marketisation, the thesis answers three questions: What is Producer Choice? How has it been implemented? What have been its outcomes? The thesis concludes by drawing out some analytical generalisations about the management of change regarding the 'process of sanctification', the effects of divisionalisation on organisational cohesion, and the characteristics of internal markets.

CONTENTS

List of Contents	p	(i)
Illustrations	p	(iv)
Acknowledgements	p.	(v)
Author's Declaration	p	(vi)
Chapter One		
INTRODUCTION	p	1
Chapter Two		
PRODUCER CHOICE AND THE MANAGEMENT OF CHANGE - SOME KEY DEBATES FROM A SURVEY OF RELEVANT LITERATURE	p.	5
Introduction	p	5
Part One		
The Enduring Nature of Bureaucracy	p.	8
Part Two		
Changes in Public Sector Management - Perceptions and Realities	p.	13
Part Three		
Market Economics	p.	22
Chapter Three		
RESEARCH METHOD AND DESIGN	p.	30
Part One		
Analytical Bearings and the Research Questions	p.	30
Part Two		
The Structure of the Thesis	p.	32
Part Three		
The Single Case Study Approach and the Research Design	p.	35
Part Four		
Producer Choice : the Problem of Context and Process	p.	41
Chapter Four		
WHAT IS PRODUCER CHOICE?	p.	53
Part One		
The Ideologies of Producer Choice	p.	54
Part Two		
The Reasons for Producer Choice	p.	57

Chapter Four continued:

Part Three
The McKinsey Reforms, 1968-72 p. 62

Part Four
Goal Displacement in the 1980's p. 70

Part Five
The Advent of Producer Choice p. 76

Part Six
Producer Choice - its Component Parts p. 84

Chapter Five
THE IMPLEMENTATION OF PRODUCER CHOICE p. 87

Introduction p. 87

Part One
The Producer Choice Steering Group (PCSG) p. 90

Part Two
The Resources Reviews p. 97

Part Three
The Producer Change Programme (PCCP) p. 106

The Progress of PCCP - An Overview p. 106

Organisational Transformation p. 110

Business Procedures and Training p. 116

Chapter Six
THE OUTCOMES OF PRODUCER CHOICE p. 140

Introduction p. 140

Part One
A More Adaptive Organisation to the Emergent Environment p. 143

Part Two
A More Accountable Organisation p. 146

Part Three
An Internal Market p. 148

Part Four
'Producers' Choice' to buy Resources internally or externally of the BBC p. 151

Chapter Six continued

Part Five An Inbuilt Mechanism to ensure Capacity Reductions	p. 153
Part Six Programme Budgeting in Full Cash Costs	p. 156
Part Seven A Reduction in Bureaucracy	p. 160
Part Eight A Better Managerial Focus	p. 164
Part Nine Summary - The Motivating Factors behind Producer Choice	p. 169

Chapter Seven

SOME ANALYTICAL GENERALISATIONS ON THE MANAGEMENT OF CHANGE : A POSTSCRIPT	p. 171
---	--------

The Process of Sanctification	p. 172
-------------------------------	--------

Efficiency Savings at the Expense of Political Cohesion	p. 174
---	--------

Internal Markets and Working in Cash Costs	p. 175
--	--------

APPENDIXES

I Chronology: The BBC and the Broadcasting Landscape, 1996-1985	p. 178
--	--------

II A Social Process View of Organisational Change at the BBC compared with that of a Re-engineering Perspective	p. 182
---	--------

III Funds' Flow within the Commissioning Cycle	p. 183
---	--------

IV Interview Partners in alphabetical order	p. 184
--	--------

GLOSSARY	p. 187
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BIBLIOGRAPHY	p. 189
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Copy for Publisher John Libbey Media of work based on this research: Harris, M. and Wegg-Prosser, V. (1998) 'BBC Producer Choice and its Outcomes - An Assessment of the Results of Organisational Change'	p. 208
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ILLUSTRATIONS

<i>Figure 3.1 : The Structure of the Thesis</i>	p. 34
<i>Figure 3.2 : Five Pointers to an Understanding of the Development of Producer Choice</i>	p. 46
<i>Figure 4.1 : Producer Choice, A Trading System</i>	p. 56
<i>Figure 4.2 : Multidivisional Structure of the BBC, 1970</i>	p. 63
<i>Figure 4.3 : Output Directorates, 1987-1993</i>	p. 77
<i>Figure 4.4 : Money Flow before and after Producer Choice, launched in April 1993</i>	p. 81
<i>Figure 5.1 : PCSG, Directorate Implementation Groups (DIG's) and Tasks</i>	p. 90
<i>Figure 5.2 : Project Masterplan Summary, August 1991</i>	p. 91
<i>Figure 5.3 : Percentage Reductions in Resource Base prior to Producer Choice Implementation</i>	p. 102
<i>Figure 5.4: 'Making Producer's Choice Work : Who has to do what?</i>	p. 139

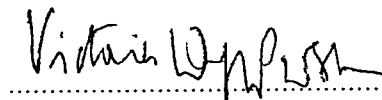
ACKNOWLEDGEMENTS

This study would not have come about without the encouragement of my family, and the enthusiasm Dr. Martin Harris showed for my work. I am very grateful to them. I wish also to thank the many people who were 'interview partners' and the others who helped, but were not formal interviewees. They include: Rodney Baker Bates, Lucy Kung-Shankleman, Jean Seaton, Madeleine Smith, and many colleagues at the BBC. Finally, I owe thanks to the staff at Brunel University, particularly in the Department of Management Studies from 1994-97, who contributed to the taught programmes in Management Theory and Analysis and in Research Methods, and to those who were fellow post graduate students on the Uxbridge campus.

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I declare that this thesis on
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CHAPTER ONE - INTRODUCTION

Producer Choice was the title given to the trading system, designed around an internal market, which was introduced at the BBC in the years between 1991 and 1994. The initiative represented the biggest organisational change in the BBC's history. The political background to Producer Choice was conditioned by the BBC's determination to ensure the renewal of its ten-year Charter as a public service broadcaster. Producer Choice helped to secure the Charter's renewal in 1996 because it provided the means whereby new accountability and cost measurements were set in place. These could then be used to demonstrate that the BBC was making a more efficient use of its publicly raised licence fee revenues than it had done before the introduction of the internal market.

The internal market was also intended to enhance managerial focus. Producer Choice would take its place alongside other marketisation programmes in the public sector which implemented and reflected the institutional shift from hierarchies to markets in the 1980's and 1990's. The revolutionary nature of the technological, economic, political and socio-cultural changes within the broadcasting sector of the telecommunications industry could not be ignored. Producer Choice was designed to assist senior executives at the BBC in the decisions they had to take regarding the future direction of the BBC. It was recognised as one of Britain's greatest cultural assets of the twentieth century, possibly **the** greatest cultural asset. The intention of senior management was to protect that heritage, but also to reshape the BBC for survival in a global marketplace. The BBC had largely avoided attempts to make it a more manageable organisation in the past. Even as late as the 1980's, as Mulgan ^(1996:207) points out, the BBC had survived as 'a vertically and horizontally integrated monolith, with very little legislative imposition or weakening'. The formulation of the BBC's new anti-monolithic structure provoked tensions at behavioural, organisational and institutional levels which this study of Producer Choice examines.

The academic interest of the study lies in its relevance to three broad subject areas: politics, media studies and management studies. The BBC is part of the fabric of

British political life. It is a cultural artefact, and it is a business. Political scientists look at the BBC as an institution, similar to the Church, or the Judiciary, while students of media concentrate on its cultural significance, and students of management analyse its structure in relation to its strategy. The body of work about the British media, of which the BBC is a part, has little to say about the relationship between resource allocation and creativity. This body of work tends to claim that media practitioners are separate from the sources of power that control their work. It concentrates on the cultural aspects of the media, and evaluates its editorial content, rather than the source of its economic strength.

The history of the BBC is complex and arcane, and it benefits from a cross-disciplinary approach involving economic sociology, business studies and political science. The BBC's programmes are acknowledged to represent the best exemplar of public service broadcasting throughout the world. The BBC is a unique institution, and as such, it has often defied further description. It would seem to be greater than the sum of its parts, and yet its creative excellence has always been recognised by way of paying tribute to the talents of individuals, rather than to the organisation.

Producer Choice was imposed on an organisation which had traditionally prided itself on ambiguity and mystique. If the BBC were to maintain its world wide reputation for excellence when certain origination costs were rising at a rate substantially above inflation, and the government were reluctant to raise the licence fee above the rate of inflation, then something had to be done to yield greater productivity from existing revenues. Producer Choice was anticipated to achieve substantial cost cutting, and this anticipation further polarised opinion about the future of the BBC. Producer Choice was viewed either as a necessary instrument for the survival of the BBC, or as an attack on the BBC's core of creativity which would ultimately lead to the BBC's demise.

The research on which this study is based was first outlined in 1994, when funding was provided to Dr. Martin Harris in the then Department of Management Studies at Brunel University to examine the nature of the reorganisation at the BBC. It was

decided that the research would explore the decision to match programme supply with programme demand via the mechanism of a new 'resource initiative', an internal market, entitled 'Producer Choice', which was to take the place of the 'command economy'. This had formerly allocated resources 'on command' to producers, in a manner which could not adequately demonstrate what each programme would cost before a commitment to expenditure was authorised. During the course of the research, it became clear that the BBC did not behave like other institutions undergoing marketisation partly because it was neither a semi-privatised utility (like British Rail) nor a public sector social service, such as the National Health Service (NHS). The negotiation and implementation of organisational change at the BBC was exceptionally difficult because although the introduction of the internal market was explicit, the anticipated outcomes of the reform were deeply disputed. Producer Choice could be depicted as an operational response to a policy failure of resource allocation, or as political manoeuvring, or as a real shift in the nature and extent of the controls exercised by the centre to ensure that productivity gains were achieved, allowing more programmes to be made with less money.

Some social theory which proved useful for analysing the complexity of the subject matter included the social practice framework ^(Reed, 1989:20-27, borrowing from Bourdieu, 1977) which was helpful in relating otherwise open-ended choices to the constraints of the changing environment, and the contextualist / processual model ^(Pettigrew, 1985:36-46 and Dawson 1994:24-45), which provided an appropriate way of interpreting the relationship between the open-ended choices and the constraints of the changing environment. Following Legge ^(1993:41-2) the research has concentrated on process, but the outcomes have also been scrutinised, particularly in terms of intended and unintended consequences ^(Merton, 1938a).

Following Reed ^(1985:121) the research presents a single case study which has:

- * described the external pressures and the changing material and social conditions in which the BBC operates;
- * exposed the transition from a command economy to marketisation as interpreted and mediated by powerful organisational groupings;

- * analysed the range of resources and mechanisms through which management achieved the transition and sustained the new mode of assembly;
- * explained the impact of these changes on the prevailing pattern of power relationships and on the conflicting sectional interests;
- * assessed the implications of the internal changes on the wider structure of the institutional relations in which the BBC is located; and
- * evaluated the unresolved tensions and dilemmas that remain and that might provide a focus for subsequent phases of organisational development.

The depth of the institutional changes on which all broadcasters are embarked in the light of changing market economics can hardly be underestimated. For example, Cave ^(1985:34) points out:

The major question is whether the whole concept of public service broadcasting can survive the changes now in process or contemplated;

and Patterson ^(1993:21), commenting on 'the New Model BBC' writes:

Nothing less than a revolution is under way - the discontinuity between the traditional 'public service' norms and the management speak of today could not be greater.

This study looks at the depth of the structural changes which the BBC underwent against the backcloth of institutional change and globalisation. It cannot predict the future, but it can demonstrate the BBC's appetite for organisational change. Pettigrew and Whipp ^(1991:295) comment:

The significance of such change capacities will grow rather than diminish. ... Those capacities will also be intriguingly tested in the novel setting of the public sector as the implications of a decade of political and legislative programmes are played out in the 1990's. Scholars of change and competition have never been so fortunate.

The linkage of 'change' and 'competition' is crucial to an understanding of Producer Choice. The linkage is further explored in the next chapter, which considers some key debates on organisation theory, public sector management, and market economics which are of relevance to this study.

CHAPTER TWO

PRODUCER CHOICE AND THE MANAGEMENT OF CHANGE - SOME KEY DEBATES FROM A SURVEY OF RELEVANT LITERATURE

Introduction

The advent of a new way of allocating resources for programme production at the BBC reflected trends in organisation theory, in public sector management, and in market economics which comprise the three areas of debate discussed in this chapter. The case study of Producer Choice needs to be seen in the context of these debates. They help to explain the ways in which Producer Choice addressed such issues at the BBC as an overly bureaucratic organisation, an inefficient and unaccountable production process, and an anomalous market position.

The BBC has been characterised as a 'well-run bureaucracy', and as 'bureaucracy gone mad'. Both interpretations could be said to have evolved from prevailing management theories about bureaucracy, ranging from Weber's 'unshatterable' cage of bondage ^(Gerth and Wright Mills, 1948:229 and see Clegg, 1990:28) to more recent analyses of post-bureaucratic or de-bureaucratized structures associated with the debate about postmodernism ^(see Reed, 1993:164 and Thompson, 1993:186). Bureaucracy itself might be described as a technology of management ^(see Castells, 1996) linked specifically with the industrial age and modernity ^(see Harvey, 1990). The first section of the chapter considers the enduring nature of bureaucracy, with special reference to Merton's ^(1938 a and b) theories about trained incapacity, adaptive behaviour, goal displacement, and affective involvement. The bureaucratic structure of the BBC has been supported via the Mertonian 'process of sanctification' which produces an 'affective involvement' for many of the people who work there, despite the frustrations they frequently experience of working within that structure. It is important to introduce in this chapter some elements of the debate about bureaucracy within organisation theory as a prelude to the descriptions in the body of the thesis which allude to contrasting opinions about bureaucracy and its increasingly benign or malign influence in the BBC.

The second section of the chapter considers power and agency, at the organisational level of analysis. Changes cannot be implemented within an organisation without control of these elements. If bureaucracy as a technology of management is to be challenged by advocates of marketisation (offering the possibility of allocating resources in a different way, with a promise of improved efficiency) then power and agency must move towards those advocates of change, away from established leaders who will have an affective involvement in the existing bureaucracy. This strand of the debate reflects the view that there were certain competences and modes of organisational control which could be transplanted from private to public sector organisations. The perceptions and realities of control associated with the introduction of internal markets and the anti-bureaucratic trend in public sector management are considered, along with the processes which attempt to implement change such as project management, and business process re-engineering, and the potential stalling or diversion of those processes by so-called 'garbage can' (Cohen *et al.*, 1972) complexities.

The third section of the chapter introduces the institutional level of analysis which informs the context of Producer Choice's intended function of enabling the BBC to switch from a command to a market economy in order to survive in a world of globalisation, technological convergence and deregulation. The switch was necessary because it was assumed that the market would prevail as the master principle of economic management in British broadcasting, as in other industries. The assumption was nevertheless contested by those who argued that the BBC should remain in the public sector, financed by licence fee. The thesis demonstrates that despite the perceived need for the switch, the means adopted do not necessarily bring about the switch, and the extent of the changes may be more apparent than real. Williamson's (1975) analysis of transaction costs as being potentially lower in a hierarchy than those discernible in a market economy is a significant platform in the debate about quasi-markets (Le Grand, 1993) and their dependence on access to information about costs. If the access is denied through the power of bureaucracy and its secretive mode of operation then the quasi or internal market is likely to be pulled back towards hierarchy; if the access is available, the move is likely to be towards a genuine market, and beyond

that, towards a network society of informational capitalism ^(Castelle,1996) from which competitive strengths at the end of the twentieth century derive.

Part One

The Enduring Nature of Bureaucracy

The sociologist Tom Burns observed in the early 1970's ^(Burns 1977:230) that Taylorism had passed the BBC by, and that bureaucracy remained the normal way of getting things done. By this, he meant that mass production had not affected the way in which programmes were carefully put together by craftsmen and women, 'a dense network of working relationships', supervised by a distant elite of bureaucrats who adhered to the rules of the organisation as laid down by its founder, Lord Reith, in the late 1920's. The rules were imposed with a rigidity that nurtured the typical behavioural responses of conformity, innovation, rebellion, retreatism and ritualism analysed by, amongst others, Robert Merton ⁽¹⁹³⁸⁾, Peter Blau ⁽¹⁹⁵⁴⁾ and Michel Crozier ⁽¹⁹⁶⁴⁾. The concept of the 'bureau' or 'office' providing a legal-rational basis for any organisation derives from the writings of Max Weber, dating from the late nineteenth and early twentieth century. For example, he argued that: ^(Gerth and Wright Mills, 1948: 228 - 9) 'the advance of the bureaucratic structure rests upon 'technical' superiority ... [and] the idea of eliminating these organisations becomes more and more utopian'; the endurance of bureaucracy as an organisational form was such that it seemed to be 'unshatterable'.

Merton ^(1938b :252) points out in his work on bureaucracy that Weber is almost exclusively concerned with what the bureaucratic structure attains, rather than with what it does not achieve, or what its dysfunctions might be. Merton ^(1938b :253-4) concentrates on the negative aspects of bureaucracy, such as: trained incapacity that derives from structural sources of overconformity to the rules; problems of discipline that can be effective only if the ideal patterns are buttressed by strong sentiments which entail devotion to one's duties; the phenomenon that rules become absolute, interfering with the anticipation that they can be modified to meet new circumstances; and the displacement of organisational goals, so that the very elements which contribute towards efficiency in general produce inefficiency in specific circumstances. The bureaucratic structure is resistant to change, but, more importantly in the context of the BBC, Merton ^(1938b :256) considers that in certain organisations, there may occur the '*process of sanctification*' ^(his emphasis). He characterises this as a dependence on an

'affective involvement' which permits prerogatives to develop, involving attitudes of moral legitimacy, which become established values in their own right, not just technical means towards efficiency.

The work of Blau ^(1954:231) on bureau officials extended that of Michels ⁽¹⁹¹⁵⁾, who, like Weber, had commented on bureaucracy's powers of endurance ^(and see Burrell and Morgan, 1979: 28-31). Blau found that bureau officials tended to accord less weight to the fulfilling of organisational objectives, than to the protection of their tenure of office. The post holder resisted reform and change whenever tenure was threatened. Furthermore, the existing bureaucratic apparatus produced a tendency to 'sanctify procedures' ^(Blau, 1954:232), even if conditions called for their adjustment. However, Blau found that among the '*operating officials*' ^(his emphasis, Blau, 1954:232) concerned with implementing New Deal policies, neither of these two bureaucratic trends was observed. He concluded that in certain circumstances, such as the New Deal, a bureaucracy was capable of adjustment and innovation.

The 'bureaucratic phenomenon' studied by Crozier ⁽¹⁹⁶⁴⁾ in France was very different from that uncovered by Blau ⁽¹⁹⁵⁴⁾ in the United States of America. Crozier ^(1964:187) identified a 'vicious circle' characteristic of bureaucracy which involved four elements: impersonal rules; centralisation of decisions; strata isolation and concomitant group pressure on the individual; and the development of 'parallel power relationships' around remaining 'areas of uncertainty'. As Reed ^(1985:165) points out, Crozier's structural functionalist framework provides for a general process underlying all organisational change and development: the unceasing power struggle for control over these 'areas of uncertainty' which, Crozier argues, is inevitably generated by the failure of bureaucracy to provide a universally effective control mechanism. Giddens ^(1979:147) comments that whereas Weber linked the advance of bureaucratisation with an increasingly rigid hierarchy of power inside an organisation, Crozier effectively pointed out that it was the relationships within those organisations that typically provided spaces of potential control which were unavailable in smaller, more traditional collectivities. The craft collectivity of the BBC with its 'network of working relationships' ^(Burns 1977:230) was subject to struggle over the 'areas of

uncertainty' identified by Crozier ^(1964:187) as it grew in size, and its rational control system of bureaucracy was distorted by conflict over access to resources that critically affected the future direction of its organisational development ^(see Reed, 1989 :37).

Hill ^(1981:11) argues that modern research shows that the bureaucratic organisation falls short of the rational efficiency attributed to it by Weber, and that for this reason it has often been rejected by modern corporations, although it still has a place in public administration which is less concerned with productive efficiency than with impartiality and predictability. Hill ^(1981:80) goes on to describe the developments in some large firms such as divisionalisation, the setting up of internal profit centres, and the delegation of responsibility to lower levels of the hierarchy as 'de-bureaucratisation'. Reed ^(1989:25) contends, on the contrary, that there is an institutional contradiction between bureaucratic logic, on the one hand, and operational practice, on the other, which transcends changes in organisational structure. Burrell and Morgan ^(1979:158-161) wonder whether there is such a thing as organisational structure at all, and Argyris ^(1964:12) argues that 'what is now needed are concepts that will permit us to conceptualise as one integrated behavioural system all these parts - formal, informal, individual, small group, and so on' and 'conceive of organisations as 'open systems', embedded in, but constantly influencing and being influenced by the environment.' Heckscher and Donnellon ^(1994:2-9) argue that there is an emerging anti-hierarchical, networked model which is 'superior in all things, *generally*' ^(their emphasis) to the Weberian model of bureaucracy as an ideal type. The model would be found in what might be termed 'post-modern organisations', which have been subject to 'de-bureaucratisation', or which have eschewed bureaucratic structures. The question for these post-bureaucratic organisational forms is how far down the emerging model does decision-making descend, and at what level does it stop?

With the recent emphasis on shared values and organisational culture ^(see, amongst others, Peters and Waterman, 1982, Hastings 1993, Heckscher, 1994, and Schein, 1996), the prospect of interactivity as the key characteristic of the post-bureaucratic organisation has been raised. However, as Krackhardt ⁽¹⁹⁹⁴⁾ points out, there are limitations on the likelihood of an 'ideal' interactive organisation emerging as a superior model to that of Weber's ideal type;

these limitations include: the bigger the organisation, the more impossible it is for everyone to interact in its ideal sense with each other; the iron law of oligarchy ^(and see Michels, 1915); people at work are reluctant to have to participate any more, as an obligation, than they do already in decision making; trusting relationships within the networked firm take time to build and then become difficult to break; the dilemma of 'information overload' has to be resolved ^(and see Williamson, 1975:31-33). Thompson ^(1993:186 and 190) suggests that bureaucracy should not be put through a 'premature burial' - although it is no longer required by the drive for efficiency, it still supports what he calls 'the duality' between, on the one hand, decentralization of the labour process and production decisions, and, on the other, increased centralization of power and control over spatially dispersed, but interdependent units ^(and see Reed, 1995:48-9).

There are parallels between the emergence of new structures in the NHS and at the BBC, both allegedly designed to reduce inefficiencies by, for example, reducing the amount of paperwork generated by operational procedures, often termed cutting 'red tape' ^(see Dobson, 1995 and Brooks, 1997). Ferlie, Cairncross and Pettigrew ^(1993:77) found in the NHS that existing personnel were successful in relabelling themselves to conform outwardly, but they retained their old beliefs and behaviours inwardly. The BBC's surveys in 1993 and in 1995 recorded that staff thought bureaucracy was on the increase ^(see Culf, 1995 and BBC, 1995b:58); the staff expectations were that bureaucracy was undesirable, and could be minimised by improving working practices, and utilising the benefits of information technology (IT). The staff said they enjoyed working for the BBC, but they resented its culture of managerial secrecy, and the fear of being able to speak out. Such a culture of secrecy is, in the Weberian sense, ^(Gerth and Wright Mills, 1948:223) a key characteristic of bureaucracy. It is antipathetic to organisational players who wish to influence in any public context the course of organisational direction. In the case of reorganisation within the NHS and the BBC, ^(see Brindle, 1995 and Barnett and Curry 1994:232) the culture of secrecy silenced most critics of change. They were unable to speak out without first abandoning their role as players, and seeking new employment.

Many media academics have commented ^(see, in particular, Dyson, 1991:44 and Curran, 1996:123) that the people who worked for the BBC within its bureaucratic structure belonged to a self-

enclosed world in which friends and colleagues became surrogates for the real audience, or consumer. This feature of being hermetically sealed had already been noted by Burns ⁽¹⁹⁷⁷⁾ in the title of his book: *The BBC: Public Institution and Private World*. Reed ^(1995:44) comments that 'organisation man' or 'the bureaucratic personality' were replaced by the 'enterprising or calculating self' during the processes of de-bureaucratisation that emerged in the 1980's and 1990's. The network of working relationships in the media, with their culture of closure and confidentiality, was confronted first by the trend towards organisation man ^(see in particular Bakewell and Garnham, 1970), and later by the trend towards the calculating self. Castells ^(1996:160) notes that the ability of a creative organisation to increase its sources of innovation from all forms of knowledge becomes the foundation of the innovative firm; this ability requires the full participation of workers in the innovation process so that they do not keep their tacit knowledge solely for their own benefit. Full participation is a key objective of organisational change at the behavioural level to minimise the likelihood of such enduring characteristics of bureaucracy as retreatism and ritualism remaining endemic within an organisation.

Until the advent of Producer Choice at the BBC in the early 1990's, the nature of bureaucracy within the BBC buttressed the 'network of working relationships' ^(Burns, 1977:230) against 'organisation man' on the one hand, and the 'calculating self' ^(Reed, 1995:44) on the other. The case of the BBC, as revealed by Burns ⁽¹⁹⁷⁷⁾, supported Blau's ⁽¹⁹⁵⁴⁾ findings that innovation could occur within the Weberian 'iron cage'. However, the BBC's culture of secrecy would probably threaten the likelihood of innovation in the coming age of the 'knowledge worker' ^(see Castells, 1996, Kanter, 1989 and Zuboff, 1988). The changes heralded by Producer Choice were designed to challenge the bureaucratic structure of the BBC. They introduced methods of resource allocation which mimicked those in the private sector based on market exchange. There were organisational and institutional aspects to these changes. The next section of this chapter considers the former, before the final section considers the latter.

Part Two

Changes in Public Sector Management - Perceptions and Realities

During the 1980's the interest in organisational change gathered pace because of the institutional shift from bureaucratic hierarchies to principles of market exchange ^(see the third section of this chapter). The shift in the public sector followed that in the private sector. For a time, it could be argued ^(see Hill, 1981:11 referenced above, p.10) that bureaucratic hierarchies should retain their place in public administration, because the overriding requirement of public administration was that it should be impartial and predictable, rather than cost efficient. But, as Selim and Woodward ^(1992:142) point out, the 'three E's of efficiency, effectiveness and excellence' became the 'convenient terms' to describe the new overriding requirement of public administration in the 1980's. The means whereby the new requirement was to be achieved was via the introduction of internal, or quasi-markets ^(see Le Grand and Bartlett, 1993). Producer Choice represented a quasi-market, chosen by certain organisational actors as the means of demonstrating (in so far as it is possible) that the BBC was more efficient, effective and excellent than hitherto. The quasi-market was also anticipated by some of the same organisational actors to offer the means whereby the BBC could re-enter the competitive marketplace in a new organisational guise.

Burrell and Morgan ^(1979: 28-31) characterise management as a series of interest groups, with one group, or grouping, exercising political power over others at any single point in time. Giddens ^(1987:162) says that no matter how complete the power of one individual or group might be over others, resources are always available whereby subordinates can reciprocally influence power holders. Hill ^(1981:259) takes a pessimistic view of what the conflict, power, emergent behaviour and organisational politics of these interest groups can achieve - he says the 'control conflicts which mark the production system are likely to have a zero-sum quality, which greatly diminishes the possibility of an outcome that satisfies all the parties'. During the 1980's a number of management textbooks addressed to practising managers defied this pessimism ^(See Peters and Waterman, 1982, Schaffer, 1988, Handy, 1989, Carnall, 1990).

These books also featured case studies of organisational change which were written in a populist style. Kanter's *When Giants Learn to Dance* was an influential text which uncovered evidence, for example from Kodak ^(Kanter, 1989:36), that managers seemed not to exist, as such, until the company had restructured and made its technical experts managerially responsible for their individual business units. Pettigrew and Whipp ^(1991:98-9) described how the firms in their case studies had had to adjust to an assessment of their operations based on new definitions of being world-class - they had been able to raise the standards of their existing competences and augment them with genuinely new strengths in order to survive in an international marketplace.

These examples of success from the private sector modes of operation found an application in the public sector in the U.K. in the 1980's because the Thatcher government embraced the neo-liberal economic policies of privatisation, increased competition, deregulation, decentralisation and contracting out. With these policies, there followed new notions of leadership, mission, quality of service and reward based on performance which all contributed to a change of culture in the public sector ^(see Selim and Woodward, 1992:158). If the trend towards privatisation were to continue, then it became a matter of ideological as well as practical purpose that the private and public technologies of management should converge ^(see Holtham and Kay, 1994). The public sector adopted the language of the private sector with its emphasis on chief executives, the bottom line, and the 'win win'.

The BBC is a public corporation incorporated by Charter, located in public sector management within the public domain. Its service could be described as a public utility, providing quality broadcasting of a diverse range to all television-owning households in the U.K. Many advocates of the BBC as a public service broadcaster argue that broadcasting is a public good, most notably the BBC ^(for example, 1992b, 1995a, 1996) including Briggs ⁽¹⁹⁹⁵⁾, Birt ⁽¹⁹⁹⁶⁾, and Bland ⁽¹⁹⁹⁷⁾, and the DNH ⁽¹⁹⁹⁴⁾, and Barnett and Curry ⁽¹⁹⁹⁴⁾, Garnham ⁽¹⁹⁹⁴⁾, Potter ⁽¹⁹⁹³⁾, and Tusa ⁽¹⁹⁹⁴⁾. They would not contest Willcocks and Harrow's ^(1992:xv) definition of 'public service management' as those complex tasks which have at their base the 'service' rationale, in the sense of conduct

tending to the welfare or advantage of another. They might also agree with Willcocks and Harrow ^(1992:xi) that, in a period when the nature of management has been questioned as never before, it is ironic that the UK public services have found themselves judged against 'traditional' management criteria, which are themselves suspect, and have been found wanting. Harrison, Small and Baker ^(1994:46) point out that although it is fashionable to decry the distinction between management in the public and the private sector, their analysis suggests not only that there are important differences, but that public sector managers ignore them at their peril.

The changes introduced at the BBC associated with Producer Choice are part of a trend directed towards restructuring public services. The BBC remains part of the public sector. It has to have regard to regulation, the state of the national economy, the need for relatively open decision-making, accountability, its wide stakeholder base, its multiple values and goals, and its relatively short political time-horizons ^(public sector characteristics noted in Willcocks and Harrow, 1992:xi). Winstanley, Sorabji and Dawson ^(1995:20) note the influence of restructuring on stakeholder power in the public sector, such as the shift from centralised to local management of service provision, from a smaller number of large hierarchies to a more complex network of organisations (including contracting out), and from a unified service to the splitting of the purchaser and provider roles; associated with these shifts was the attack on the monopoly power of the 'provider' professions and the emphasis on value for money, and consumer power ^(see Abercrombie, 1991 and Bagguley, 1991). Most of the changes involved far-reaching measures ^(see Ferlie, Cairncross and Penigrew, 1993:69) to introduce a quasi or internal market element into resource allocation processes previously dominated by planning and by line-managerial hierarchies. The component parts of the market were expected to behave more competitively, to reduce costs, to provide incentives for performance, and to improve quality. It was anticipated that regulation would ensure that public service, rather than private profit, remained the core objective of any public sector organisation.

Coupled with regulatory concern about quasi-markets ^(Le Grand and Bartlett, 1993:13-34), there was a critical perspective ^(Fairbrother 1991:69 and Elger, 1991:50) on restructuring public services which suggested that the core/periphery model ^(Atkinson 1985), the purchaser/provider split

and the contracting out of services was more concerned with the objective of reducing manning levels, rather than with 'upskilling', or enhancing the 'employability' of the workforce. Much of the restructuring was thought to be about surface rather than substance. For example, the reforms in the Civil Service were, as March and Olsen ^(1989:106) point out, designed to exploit conflict and criticism to show evidence of a radical political agenda, rather than to implement deep-rooted change.

Vinten ^(1992:7) records that the rhetoric of the Thatcher government was that public services in general and the civil service in particular were too big, and that they were badly managed. The solution included an efficiency strategy, and the cutting of civil service numbers by 14 per cent over five years. Richards ^(1994:41) comments that although the Financial Management Initiative (FMI) was designed to devolve budgets to the point of use, so that they could be moved around in response to need, the biggest cost of all, staffing, remained tightly controlled from the centre to ensure the 14% reductions were carried out. Had the cost of redundancies been made the responsibility of the devolved cost centres, the risk was that the centres would not provide the necessary funding for staff reductions. Richards ^(1994:42) also points out that the outcome of FMI disguised 'the seething organisational politics which often lie beneath Whitehall's smooth surface'; the Treasury was keen on decentralised cost information but not on devolution of real budgetary authority; the mandarin class's core capability was handling political ambiguity, rather than clarifying and simplifying instructions to their subordinates; FMI did not achieve all it promised in changing organisational culture, but it did deliver much better cost control. According to McKevitt, ^{1992:44)} this is typical of the implementation of organisational change programmes in the U.K. - production efficiencies are improved, but relating operational change to a strategic redirection of organisational purpose remains elusive.

Laying blame at the door of senior executives for the failure to move from operational to strategic change is not unusual. Indeed, from the writings of Michels ⁽¹⁹¹⁵⁾ onwards, sociologists have frequently commented that organisations, like governments, serve the few, rather than the many, and also that the elite has a vested interest in resisting change. Crozier ^(1964:200-3) found in the French government-owned bureaucracies he

studied, that there were typically ritualists, and retreatists at the top of the civil service who resisted change, but there were, also, and, exceptionally, two or three innovators whom he described as 'polar figures for the whole system ... people preparing for the glorious role of changing the world'. These are the people whom the writers of populist management text books would now call 'visionary leaders'.

Crozier also noted the significant role of crises in creating a new demand for authoritarian reformer figures in the midst of the bureaucratic routine; these figures upset the customary power equilibrium and provide an opportunity for effecting change that might otherwise remain unpursued - he says ^(Crozier, 1964:197) :

the bureaucratic system is too rigid to adjust without crisis to the transformations that the accelerated evolution of industrial society makes more and more imperative ^(his emphasis).

Crises concerning the setting of revenue levels in the public sector and the appointment of new leaders who are determined to sweep out the old guard and create a new organisational elite ^(see Birt, 1993b) can display the purpose Crozier attributed to them of bringing about transformation that the 'mandarin class' ^(Richards, 1994:42) and the 'self-governing professionals' ^(Willcocks and Harrow, 1992:xxv) might otherwise resist.

One of the ways in which new leaders displace old ones is by using a new guard brought in to the organisation from outside. Argyris ^(1988: 343-4) points out that in his opinion senior executives should know that rigid managerial attitudes and policies inhibit formulating and implementing strategic change, and should act to reduce rigid managerial attitudes and policies, but, he also points out that there are often factors in the senior executives' world that account for their actions which contradict what they are supposed to do. These actions would include the defensive routines that people adopt to protect themselves, their colleagues and the organisation, if they fear that the known cures could make the illness worse. Argyris ^(1988: 345) describes how these 'second order errors' prevent organisational learning; they can be self-reinforcing, and, unmanaged, they become self-proliferating. Child and Smith ^(1990:316) note that organisational transformation is often carried out by the consultants who originally designed the change programme, and then joined the organisation, bringing their knowledge of the new mode of operation and replacing those who suffered from

second order errors. The same process was observed at ICI when John Harvey-Jones brought in external consultants to form part of his dominant coalition ^(see Pettigrew, 1985:492 and Pettigrew and Whipp, 1991:1410) as he began the slow process of 'awakening the giant' to ensure a new strategic direction for ICI. The resentment which the external consultants can breed within an organisation ^(see Lorenz, 1993, Snoddy, 1993 and Willman, 1994) protects senior management from attacks which would otherwise be directed at them. Schein ^(1985:xiv) says that the real problem of changing culture occurs only in mature organisations under certain conditions, but when it is necessary it tests leadership in an ultimate manner. He says ^(Schein, 1985:285) that organisations are like families - 'it's difficult to tell each other to shape up' and so outside consultants can play a 'counter cultural role', not as counsellors, helping the family to work out their problems, but rather as the advance guard of a new dominant interest group.

Managing a culture change in a public sector organisation in the 1990's, as Harrison, Small and Baker ^(1994:39) and Dent ^(1995:877-9) point out, is designed to enhance managerial control and provide the operational ability to deal flexibly with uncertainty, even if that is accompanied by more autonomous organisation forms. Buchanan and Storey ^(1997:129) consider that any portrayal of the 'change agent' as a singular role is flawed; explanations of organisational change must include the plurality of players and how they change and switch roles; they write:

the detailed story of how those roles are activated in the organisational change process, to secure personal and group advantage, and in the formation of alliances and loyalties, has not been effectively analysed.

The manner of implementing 'top down systemic change' ^(Buchanan and Storey, 1997:131-2) follows project management ^(Turner, 1993) guidelines: the vision is drawn up; the gap between 'then' and 'now' is identified; departmental and personal action plans are constructed; timetables are established and progress is measured against milestones. The process relies on project management skills which are technicist and time-bound. The monitoring of the implementation of the change follows guidelines that are also technicist and timebound. First, as Pettigrew ^(1985:518) explains, organisational development (OD), derived from project-managed change programmes, has to be treated as 'an act of faith'; second, the monitoring of the OD is conducted by audit

which the auditee itself sets up in order to retain control over functions that have been made autonomous ^(see Power 1994:36-7), and third, the necessity of having an 'auditable system' impacts upon real time practices within the organisation and new games emerge around the systems-driven audit processes ^(see Burningham, 1990:138-9).

Much 'faith' has been placed in 'Business Process Reengineering' (BPR) as an OD programme which strips all business processes down to the bone and then re-engineers only those that are thought still to be organisationally useful - the other processes are abandoned ^(see Hammer and Champy, 1993). Willcocks and Grint ^(1997:92) discuss how politics, together with organisational histories and cultures, help explain why most organisations seek incremental, less radical approaches than the label BPR implies; they say that, as with 'culture' and 'excellence' in the 1980's, BPR is a way of talking about and conducting political activity by seemingly other, more acceptable means.

BPR presents a significant opportunity for power and influence to move from one dominant coalition to another within a public sector organisation. Emphasising differences between them, the new leader, such as John Birt at the BBC, could, for example, adopt the behaviour of a private sector chief executive officer. The typical public sector characteristics ^(Strand, 1993:171) of emphasising rule application, of role definition around internal demands, and of restraint when in the public eye could be abandoned. The language of BPR, such as deracination, was profoundly useful ^(for example, Birt quoted in Hargreaves, 1996:16-17).

The old world was attractive for the people in it ... the evidence is overwhelmingly that such a world doesn't work as well as this other way, where you buy from whatever the best source is, which encourages providers to be more innovative and competitive. The old world's cost structure was something like 30 per cent less efficient.

The theory of strategic choice is considered below ^(part three of this chapter) at the level of structure and agency, but in this section the so-called 'garbage can' ^(Cohen *et al.*, 1972) theory of organisational choice needs to be examined because it has recently ^(Eliassen, 1993:2) been cited in connection with changes in public sector management. One example of this would be that of cost centres, ^(Gosling 1995) which are now central to public service management, but there can be too many of them, leading to sub-optimal unit size, and

a desire to share out the notional profits the cost centre has made. The devolution of budgets to cost centres is then pulled back and the problem of cost transparency remains, seeking a solution via a different organisational choice. The garbage can model of organisational choice proposes that there are identifiable 'organised anarchies' (Cohen *et al.* 1972:1-2). In them, problematic preferences are discovered through action, the technological processes are unclear to some, and the organisational actors' participation is fluid, because the actors can switch from the external to the internal environment of the 'anarchy' with relative ease. The example of such an 'anarchy' used by Cohen *et al.* (1972) is a university, but it could equally well have been the BBC, particularly since the 1991 introduction of a quota which allows the organisational actors at producer level to move in and out of the private sector (independent producers in the external environment) to the public sector of the BBC (inhouse producers in the internal environment). As Bryman points out (1989:174, quoting from Pinfield, 1986), the theory of decision-making that accommodates a rational approach to the management of change is one where the evidence suggests that there is a consensus about the organisational goals to be achieved by the organisational change. In the case of BBC Producer Choice, there was a remarkable lack of consensus about what it was supposed to achieve, and what it did achieve. Where there is this lack of consensus the garbage can model might be appropriate as a theory of decision-making.

The 'top down systemic change', introduced at the BBC, assumed that the uncertain consequences of the new way of managing resources could be overcome by technically neutral activity. According to Blumler and Gurevitch (1995:207) it is the inexorable process of modernisation that has encouraged the deliberate rationalisation of most forms of organised activity with their technically neutral emphasis on planning and data processing. But, as Tilley (1993:288) points out, there is a now dominant view in change management theory that rational-linear models have long since been discredited as descriptions, or as explanations, of organisational change.

The BBC's Director General, John Birt, with his own group of organisational actors, determined that the internal market, known as Producer Choice, at the organisational level could offer the prospect of a new role for the BBC at the institutional level. The

BBC had experienced intermittent periods of organisational change ever since its beginnings in 1922. The enduring nature of bureaucracy seemed to shroud the transformational intentions of the change. The perceptions of the change were not the same as the realities. Organisational change was more an endemic means to the political objective of control over the BBC, than a revolutionary means to a new type of organisation. Changes in the techno-economic context of broadcasting in the 1980's, however, indicated that an entirely new type of organisation might be necessary for the BBC if it were to survive as a public sector institution in a global, multi-channel, individually customised environment. It is to these changes that the chapter now turns.

Part Three

Market Economics

In the 1980's it was becoming apparent that the structure of the broadcasting industry was about to be irrevocably changed. The introduction of satellite distribution of radio and television services heralded the age of digital production and the technological convergence of telecommunications, broadcasting and computers, based on the phenomenon of digital compression. There is no inevitability about the institutional changes which might emerge from the above technological changes. A broad range of commentators (including Gerding, 1993:175 and McLoughlin and Clark, 1994:55) have argued that organisational decision-makers are capable of exercising 'strategic choice' (see Child, 1972). On this view, organisations can shape their environment to a certain extent, recreate structures, and actively seek conditions more favourable to organisational survival. However, as Child and Smith (1990:315) point out, 'the sector *per se* is always liable to be greater than the sum of its present actors', largely because of new entrants' and other stakeholders' interests. Other factors include (Child and Smith, 1990: 315-6) the circumstances under which new subjective interpretations of objective conditions emerge to trigger organisational transformation, and the relationship between those objective conditions and subjective interpretations that shape the course of the transformation.

Castells (1996 : 152) defines organisations as 'specific systems of means oriented to the performance of specific goals', and institutions as 'organisations invested with the necessary authority to perform some specific tasks on behalf of society as a whole'. Lane (1993:74) describes an institution as a set of property rights which benefits from the protection and influence of the state. The BBC falls into both categories of definition as an institution (see DNH, 1992). Castells (1996 : 152) points out that the fundamental goals of organisational change were to cope with uncertainty caused by the fast pace of change in the economic, institutional, and technological environment of the firm by enhancing flexibility in production, management, and marketing. Lane (1993:76) posits two models - the neo-classical decision model (allowing for choice) versus the economic theory model (where voluntary exchanges have no transaction costs). He explains why

Williamson ⁽¹⁹⁷⁵⁾ advocated the use of as much voluntary exchange as possible (via markets rather than hierarchies) in order to minimise transaction costs. In this way, Williamson argued, allocative outcomes will tend towards efficiency. However, ^(Lane, 1993:78-83) in the public sector, (as also in the private sector) allocative outcomes may not tend towards the efficiency anticipated by Williamson. From the perspective of the public sector, where the BBC is located, the reasons for the potential inefficiencies arise out of what Lane calls the public sector's 'two basic institutional mechanisms':- public resource allocation by means of bureaux, **and** by public regulations. Both involve transaction costs which derive from the interests of the organisational actors. Two human factors (bounded rationality and opportunism) and two environmental factors (uncertainty and a relatively small number of players in the sector), when combined, conspire to help explain the relatively higher cost of writing and enforcing contracts in the market, compared to within the organisation of a hierarchy. To solve this dilemma of relatively high costs in the market, Lane suggests the introduction of new institutional responses such as contracting, bidding and benefit taxation to get to what he calls: 'first best solutions in the public sector' ^(Lane, 1993:83). It is indicative of the contempt with which bureaucracy and hierarchies were treated in the 1980's that Lane did not advocate a return to any form of well-run bureaucratic hierarchy.

The BBC was one of the bureaucracies which suffered from this fashionable contempt, despite the evidence quoted above ^(Burns, 1977:290 and see Briggs, 1995) that a strong network of creative working relationships could thrive within such a vertically integrated structure, where broadcasting was licensed by the government but made by the BBC. Starkey, Wright, and Thompson ^(1991:168) comment that under Fordism the tendency was towards vertical integration, but since the changes of the 1980's favouring markets over hierarchies in both public and private sectors, most long term networks are now based on contracting relationships within a market. Organisation design must take account of transaction costs, and where the contracting relationships in the market have minimised the associated high transaction costs with, for example, successful coordination of knowledge and IT, then vertical disintegration in the sector has taken place. The example given is that after two decades of vertical disintegration in the motion picture industry, motion pictures are now only rarely made by a single

major studio ^(Starkey et al 1991:174); they conclude that if work is contracted out, rather than made in-house, and this offers more flexibility **and** reintegration of ownership and control, then there is a likelihood that the dynamic networks created in the place of administrative hierarchy and vertical integration can trigger a major organisational innovation of the same significance that Chandler ⁽¹⁹⁶²⁾ attributes to the emergence of big business in the late 19th and early 20th century.

This scenario of economic transformation, most notably embodied in Piore and Sabel's *Second Industrial Divide* ⁽¹⁹⁸⁴⁾, posited a historical departure. Hirst and Zeitlin ^(1991 : 2, but see also Jones. 1990 and Pollert. 1991) remark that post-Fordism views industrial change as a mechanical outcome of structurally determined processes, whereas flexible specialism emphasises contingency, and the scope for strategic choice. Harvey ^(1990:135 and 147) links Fordism with state interventionism, guided by principles of bureaucratic-technical rationality, and with the configuration of political power that gave the system its coherence; he links post-Fordism with 'flexible accumulation', based on a direct confrontation with the rigidities of Fordism, and characterised by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation.

The public sector is unsure how to respond to this scenario of economic transformation which ostensibly gives the consumer more choice. Abercrombie ^(1991:172) argues that public sector organisations which are part of the 'culture industries' will not experience the shift from producer to consumer at the same pace as has happened in, say, consumer electronics. Child and Smith ^(1990:314) explain that 'the legacy of a firm's history' will bear heavily upon its ability to effect a permanent transformation. Metcalfe and Richards ^(1993 : 108) comment that the task facing all Western European governments is to make the transition from their existing 'administrative cultures' to new 'public management cultures'. They contend ^(1993 : 113) that standards in public management and their regulation are different from and more stringent than those applicable to private sector management. With the trend towards marketisation reaching the public sector, Ferlie, Cairncross and Pettigrew ^(1993:71) raise

concerns about the nature of markets, for example, the requirement for contestability (and see Mulgan, 1994), and also 'the principal-agent problem', wondering whether the consumer really can be sovereign when consumer 'proxies' (such as general practitioners in the NHS, or commissioning fund-holders in the BBC) exert 'a critical gatekeeping role', deciding what people need or want. Parsons ^(1988:37) writes that from the perspective of the public sector, where value for money and accountability are the guiding requirements, it is the *ex post* perspective which prevails; also, it is not individual entrepreneurial action that is the over-riding concern, but the *ex post* welfare outcome; and any desire to encourage entrepreneurial activity within the public sector comes into direct conflict with the demand for accountability - *ex ante* cannot be reconciled.

Advocates of marketisation and entrepreneurial activity at the BBC ^(see Starks, 1993:36-7) claimed that it was public purpose that would drive the new structure of Producer Choice. Others ^(for example, Graham and Davies, 1992 : 199) disagreed, saying that an organisation such as the BBC can either be asked to maximise its profits or it can be asked to maximise the effectiveness of its public service broadcasting; 'it *cannot*, however, sensibly be asked to serve two masters, attempting to maximise both simultaneously'. *The Peacock Report* ^(Home Office, 1986) argued in favour of the view that consumer sovereignty should become the overriding principle of broadcasting. One of Professor Peacock's advisors was Martin Cave, who wrote ^(1985:27-8):

With almost universal television ownership, a compulsory licence fee is virtually equivalent to a poll tax ... It is however highly regressive. Moreover there are serious problems in establishing the optimal level of public expenditure on broadcasting which may be fairly high, and of devising procedures to make the broadcasting corporation respond in appropriate ways to public taste.... Its justifications are that certain types of programmes have beneficial external effects ...(and) that viewers have limited knowledge of programmes on offer and would benefit ... from having their choices guided.

The notion of consumer sovereignty was bound up in the ideology of the Conservative government. Stephen Dorrell, the then Secretary of State with responsibility for broadcasting, in an article in *The Financial Times* ^(Dorrell, 1995) wrote:

My responsibility is to promote both UK commercial interests and those of UK consumers. Mr. Jacques Toubon, the French culture minister, recently declared that you could not leave the consumer to decide what to watch. I simply disagree.

Stephen Dorrell was suggesting that UK commercial interests and UK consumers could be served together by the institution of broadcasting, so long as broadcasting content was not too heavily regulated. Veljanovski ⁽¹⁹⁸⁹⁾ and the right-wing Institute for Economic Affairs argued that the best course for the BBC in the 1990's would be privatisation. This argument found favour also, from the more left-wing perspective of Hargreaves ⁽¹⁹⁹³⁾, but on the tentative basis that the BBC should be owned by a broadcasting trust rather than by shareholders in a public limited company.

By 1997, with a Labour government in power, the BBC was still struggling to promote a definition of its public service which could attract consensus across the political spectrum. Gerald Kaufman, chair of the Select Committee on Culture, Media and Sport, in response to what he perceived as the BBC's determination to focus on things not supplied by the marketplace, said ^(Kaufman 1997):

That's why the BBC is in serious and quite possibly terminal difficulty and the BBC may not survive for many years longer as a publicly funded service. In 1955, the moment there was competition for commercial services, the BBC was faced with the dilemma of high share and public service standards - it can't be done. The BBC is at a crossroads - compete with the big boys - and I think it has to, or it shrinks. Television and Radio should be separated, with television privatised and radio made a publicly funded state corporation.

Dyson ^(1991:43) argues that broadcasting and the polity in West European states are threatened by new products, new markets and new entrants, concluding ^(1991:59) that 'the overall impression is of ambiguity in the role of the state'. Mowes ^(1996:20), Chair of the Council of Europe Steering Committee on Mass Media, supported by Wright, ⁽¹⁹⁹⁶⁾ Head of the Broadcasting Division of the then Department of National Heritage, insists that public service broadcasting conveys certain immutable values, and that it is central to the functioning of democracy, the safeguarding of pluralism, the promotion of tolerance and the development of individual groups and of society as a whole. These are ambitious claims for a public service which people cannot be forced to consume ^(see Hider, 1997), despite the views of writers like Dennis Potter ^(1993:10).

Public service broadcasting ... is not a business trying to distribute doosh to its shareholders, not owned by its current administrators but something held in trust and in law for every citizen ... of Great Britain and Northern Ireland.

Curran ^(1996:124), in an article entitled 'Rethinking Mass Communications', writes:

The central assumption of the liberal tradition [is] that the mass media in free societies are independent institutions regulated by the market and the professional concerns of communicators that serve ultimately the public.

The concept of the BBC holding something 'in trust', as Potter describes it, derives directly from the structure of the BBC as a hierarchy; the concept of the market as regulator, as Curran describes it, derives from the substitution of markets for hierarchies; what Curran calls: 'the professional concerns of communicators' are common to both. There is substantial evidence to suggest that such communicators within the BBC had more power within the hierarchy than within the market, because the hierarchy protected their direct programme costs from the scrutiny of individual audit. Under Producer Choice, funding per market-negotiated budget entailed a tracking of expenditure that prohibited the freedom to fail traditionally associated with the production of high quality programming.

In the face of competition from new entrants committed to lower programme costs than the BBC, one argument ^(Garnham, 1994) contends that the BBC will survive this competition as long as it maintains its reputation for quality, and is adequately funded through a licence fee which rises in line with inflation in the broadcasting sector, rather than in line with the retail price index (RPI). Research shows ^(Grant, 1996) that between 60% and 70% of all viewing in homes with satellite and cable is still devoted to the mainstream channels' off air signals. But to take advantage of convergence between computer and telecommunications' technology, and to free up the analogue spectrum for other uses, most Western European governments are in favour of moving entirely to digital transmission at some point in the near future, say in fifteen years' time. The costs associated with this are so high as to make it unthinkable that governments would pay for the switch by subsidising the cost of digital receivers. The switch will be funded by the market, not by the state. Convergence is not just between computer and telecommunications, it is also between private and public. That has been the

lesson of the changes in resource allocation in the 1980's that have allowed the market, or the internal market, to be the judge of the level of provision of public services. Interestingly, in the case of the NHS, the internal market is now being reorganised in the direction of hierarchy with larger cost centres, again in an attempt to save on the costs of administration - an example of the garbage can theory at the institutional level, perhaps?

Tension between strategy and structure has dominated the BBC's attitude towards its public purpose. The BBC's aim is to retain the licence fee as its primary source of funding ^(see, for example, Birt, 1996), even if it also offers 'pay-tv' services, in addition, to those consumers who want to experience the quality programming for which the BBC is world-renowned. The blurred organisational form, part public and part private, that Ferlie, Cairncross and Pettigrew ^(1993:78-9) note is in the ascendancy in restructured NHS Trust hospitals, is also discernible at the BBC. In both cases, after marketisation, the future appeared to lie in wholesale privatisation. But economic models tend to swing in one direction and then be pulled back by political or other factors such as technological shifts which result in change usually being incremental rather than revolutionary - for instance, the revival of radio through new means of cheap distribution over wide areas.

The role of BBC public service broadcasting in an increasingly multi-channel television and radio environment is an ambiguous one. Dyson ^(1991:59) notes the same for the role of state intervention in general. In its restructured form, the BBC is flexibly equipped for privatisation, but it still wishes to be funded as if it were a state-owned hierarchy, subject to cost efficiency measures which have their equivalent in the private sector, but not subject to the destructive forces inherent in private capitalism. The maintenance of part public and part private finance in political terms is now being characterised as 'a third way'. The BBC has had the ability to raise private finance through its commercial subsidiary since the mid 1980's, subject to government approval. Even before then, it was an active exploiter of its programmes in the international market. Commercial activity, however, does not hold out the hope of fully funding the BBC to its current levels, as compared with obtaining a higher

licence fee from the government. Such applications for continued public funding need to be based on demonstrably cost-efficient uses of public money. Cost visibility was a paramount requirement of Producer Choice for this very reason - that public funding would not be forthcoming without it. As an ambition, such visibility was laudable; as a reality it was exceedingly difficult to achieve, as the body of this study make plain. The design of the study must first be described, however, before the main substance of the research can be displayed.

CHAPTER THREE - RESEARCH METHOD AND DESIGN

Part One - Analytical Bearings and the Research Questions

As the previous chapter has shown, the key debates of relevance to this study of 'BBC Producer Choice and the Management of Organisational Change' concern, firstly, the nature of bureaucracy, secondly, some changes in management techniques in the public sector in the 1980's, and thirdly, the market economics that affect the role of public service broadcasting in an increasingly multi-channel and converged television, radio and computer (or digital) environment. These key debates provide the analytical bearings for this single case study of BBC Producer Choice, and they underpin the method of investigation used in the study ^(see below, part three of this chapter). Producer Choice represented a new 'technology of management', adapting the phrase from Castells ⁽¹⁹⁹⁶⁾ in which it is argued that the technology of management is more significant than the management of technology. Such an expression arises out of the concern with agency and structure that attempts to explain the institutional shift from market to network. From the BBC's perspective, Producer Choice embraced marketisation before the institution itself could contemplate a network of global cooperation ^(see below, chapter six).

The study sets out to address three main research questions :

What was Producer Choice?

How was it implemented?

What were its outcomes?

Producer Choice was intended to take the BBC from a hierarchical, vertically integrated, bureaucratic mode of operation, often characterised as a 'command economy', to a form of market exchange, an 'internal market', where providers of programme making skills were reorganised in structures separate from their colleagues in the purchasing, or commissioning, division of the BBC. The enduring nature of bureaucracy ^(see above, part one of chapter two) might suggest that demands were being made of Producer Choice that it would not be able to satisfy. Furthermore, the internal market would not necessarily represent a different way of allocating resources compared with

a command economy. A far greater impact on resource allocation was the 25% quota allocated to independent producers, which reduced demand for BBC-originated programming by 25% (excluding news), without explicit regard to whether or not the BBC operated as a hierarchy or as a market. The ostensible reason for Producer Choice might have been to reduce bureaucracy, but if the bureaucratic structure remained, would Producer Choice still be able to operate? The complexity of these issues meant that the process of change and its outcomes could not be examined without exploring the prior question: What was Producer Choice?

The study benefited from a participant observation involvement during the course of the implementation of Producer Choice. There were two main elements to the initiative: first, the change programme (PCCP) by which the internal market was introduced, and second, the trading system (PCTS) by which resources would be allocated through a cash mechanism, rather than through a form of barter of programmes for services through a planning mechanism. PCCP is addressed in the second research question: How was Producer Choice implemented? PCTS is addressed in the third research question: What have been the outcomes of Producer Choice?

Part Two - The Structure of the Thesis

Figure 3.1 ^(see below, p. 34) presents the structure of the thesis in graphic form. There is a brief introduction which relates the study to certain areas of academic interest, and explains why this case study is relevant to the management of organisational change. Next comes the chapter devoted to the key debates which underpin the study, using a literature survey. This chapter on research method and design has stated ^(above, part one) the three main research questions which the study addresses. It then goes on to describe the research design in some detail, and, finally, it explores the problem of context and process. The descriptive account of Producer Choice which dominates chapter four of this study elucidates the complex relationship between resource allocation and creativity, throwing particular light on an earlier period of structural reform at the BBC during the late 1960's and early 1970's. The 'Ideologies of Producer Choice' are explained in the first part of chapter four. They set the context for the radical reform of the BBC, designed to ensure Charter renewal and demonstrate evidence of organisational transformation.

The process and outcomes of this radical reform are described in chapters five and six, utilising, predominantly, three methods: the contextualist / processual model ^(see below, fig. 3.2, p.46), Reed's social practice framework, and specific insights gathered from participant observation and documentary research. The contextualist / processual approach helps to explain how decisions are taken and outcomes are achieved, especially when there is a lack of consensus about organisational objectives. The participant observation approach allows for a study of organisational change as it happens. This is particularly evident in chapter five which describes the implementation of PCCP, but it is also evident in chapter six where the environment, accountability, the internal market, 'choice' to buy resources, cost-cutting, 'full costs', 'less bureaucracy' and 'better managerial focus' are each susceptible to changes in the ongoing interaction between context and process.

Chapter seven of the study is a postscript, describing three analytical generalisations about the management of change derived from the research: firstly, the process of

sanctification, which nurtures the cultural embeddedness of bureaucracy; secondly the consequences of divisionalisation which indicate that efficiency savings are at the expense of political cohesion; and thirdly, the role of internal markets as a bridge between hierarchy and market - internal markets need to operate in cash costs if they are to obtain the advantages of marketisation - otherwise the tendency will be for them to revert to hierarchy and a command economy.

In addition to the glossary of acronyms and bibliography (pp. 187-207), there are four appendices in this study. *Appendix One : Chronology : The BBC and the Broadcasting Landscape, 1996 - 1985*, arose from the data base which was commenced to clarify the overview and the pilot case study (see part three below). It began as a notation of press cuttings, and was continuously updated, from June 1993, to the date on which the fieldwork was completed, December 1996. *Appendix Two: A Social Process View of Organisational Change at the BBC compared with that of a Re-engineering Perspective*, arose out of a conference presentation, *BBC Producer Choice and Its Outcomes* (Harris and Wegg-Prosser, 1998, and appended to this study at pp. 208-219). *Appendix Two* develops the ideas expressed in the presentation by matching them with evidence presented in Tom Burns' book *The BBC : Public Institution and Private World* (1977), and with some of the results from the participant observation related to this study which took place during the years March 1991 to June 1994. *Appendix Three: The Commissioning Cycle and Funds' Flow under Producer Choice* provides an explanation of tariff and contract pricing as it affects the self-financing business units of the BBC. *Appendix Four* contains a list of the people interviewed for this study. In almost every case, each was given the opportunity to read and comment on the interview summary, prepared immediately after the interview. *Appendix Four* indicates which individuals have approved the attribution of his/her comments, and which prefer to be cited as 'unnamed' in the body of the text. The structure of the thesis is presented in graphic form overleaf.

1. INTRODUCTION	<ul style="list-style-type: none"> * Constituencies of academic interest * The relevance of the thesis
2. KEY DEBATES from literature survey	<ul style="list-style-type: none"> * The enduring nature of bureaucracy * Changes in public sector management: Perceptions and Realities * Market economics
3. RESEARCH METHOD AND DESIGN	<ul style="list-style-type: none"> * Analytical Bearings and the Research Questions * The Structure of the Thesis * The Single Case Study and the Research Design * Producer Choice : the Problem of Context and Process
4. WHAT IS PRODUCER CHOICE?	<ul style="list-style-type: none"> * The Ideologies and the Reasons * Earlier reforms and their displacement * The Advent of Producer Choice * The Component Parts
5. IMPLEMENTATION OF PRODUCER CHOICE	<ul style="list-style-type: none"> * The Steering Group * Resources Reviews * The Change Programme
6. OUTCOMES - ESPOUSED AND ACTUAL	<ul style="list-style-type: none"> * More adaptive to the environment? * More accountable? * An internal market? * 'Choice' to buy resources? * Cut costs? * Work in full costs? * Reduce bureaucracy? * Better managerial focus?
7. POSTSCRIPT : 3 GENERALISATIONS ON THE MANAGEMENT OF CHANGE	<ul style="list-style-type: none"> * The Process of Sanctification * Efficiency Savings at the expense of Political Cohesion * Internal Markets and Working in Cash Costs
8. APPENDICES	<ul style="list-style-type: none"> * Chronology : The BBC and the Broadcasting Landscape :1996 - 1985 * Social Process versus Re-engineering Perspectives on Change Management * Funds' Flow in BBC Commissioning * Interview Partners
9. GLOSSARY	
10. BIBLIOGRAPHY	
11. Published work based on this research	Harris and Wegg-Prosser (1998) 'BBC Producer Choice & its Outcomes'

Figure 3.1 : The Structure of the Thesis

Part Three - The Single Case Study Approach and the Research Design

The Single Case Study

The research on Producer Choice is organised around a single case study analysis. The justification for this approach over that of multiple case studies is presented in Blau ^(1954:230) Yin ^(1989:23) Bryman ^(1989:174) Dyer and Wilkins ^(1991:614) and Reed ^(1985:121) described above ^(pp.3-4), in the introduction to this thesis. Yin ^(1989:23) defines the case study as :

an empirical enquiry that investigates a contemporary phenomenon within its real life context when the boundaries between the phenomenon and the context are not clear and multiple sources of evidence are used.

Yin notes ^(1989:12-21) in the second edition to his book on *Case Study Research* that the case study approach helps to uncover the complexity of organisational phenomena, and, although it resembles history, it adds direct observation and systematic contemporary interviews in order to advance and generalise theory, rather than simply to tell a story. Elger ^(1991:58) considers that case studies are necessarily limited, but they do provide insights into the character of contemporary change not readily available from survey research; they can illuminate the dynamics of change and exceptional developments which might appear as prototypical for the future trajectory of change. Eisenhardt ^(1989:536) argues that more than one case study should be attempted so that several constructs can be identified and measured during data gathering, and if they emerge as related, then that yields triangulation on which the theory can be grounded. Dyer and Wilkins ^(1991:614), in a rejoinder to Eisenhardt, contend that the best case studies focus on comparisons within the same organisational setting; they are 'deep case studies' rather than 'surface case studies'. In the case of BBC Producer Choice, the same organisational setting is important because the BBC has a number of divisions within it, each with different cultures and histories, and the comparisons within the divisions, and across the divisions, are significant.

Participant Observation

This particular single case study benefited from the additional dimension of participant observation, in the manner outlined by Jorgensen ^(1989:19-10) :

The methodology of participant observation generally is practiced as a form of case study which stresses the holistic examination and seeks to avoid the separation of components from the larger context to which these matters may be related. ... The participant approaches human meaning and interaction through sympathetic introspection.

Despite the contention that participant observation is open to distortion through bias, it does contribute a depth of meaning to the evidence uncovered that studies without a participatory element would lack. One example of this depth of meaning should suffice:- when Tom Burns ⁽¹⁹⁷⁷⁾ conducted his fieldwork at the BBC in 1963 and again in 1973, he was only able to consult paperwork, meet people and observe events by negotiation with the BBC. Access was limited to certain departments at certain times, and, after the fieldwork, Burns had difficulty in agreeing the procedures for publication ^(see introduction to Burns, 1977). Since that time, the BBC has become even more secretive about its approach to management - an approach which journalists, former senior BBC employees such as Michael Grade and Mark Tully ^(Barnett and Curry, 1994:232) and many people who still work there ^(see unpublished transcript of discussion following Gardam, 1996) find difficult to support. The consents negotiated for this research have been forthcoming, but it is likely that they were provided on the basis of the participant observation having already taken place, rather than on the basis of a request for access which might have been denied.

The Scope of the Analysis

The research began in pilot form (for MBA coursework) when the writer was employed on a three-year contract of service at the BBC, had access to all relevant paperwork, and was able, as a member of a senior management team, to visit all departments, meet whoever seemed appropriate and attend many social functions. With the distance of time, and the decision of the writer to pursue an academic career, the participatory element in the fieldwork receded; the work of reviewing the data, disassembling and reassembling its meaning, and sensitising it to theoretical concepts of management ^(Jorgensen 1989:107-112) could begin.

It was thought at first that the only BBC area to be investigated would be Network Television. It was on this basis that funding from Brunel University Department of Management Studies (BRIEF award, 1994/5) had been awarded. However, because of the complexity of Producer Choice and the often contested decision to extend it beyond the division of Network Television, it was clear that a longitudinal study would benefit from a consideration of more than one trading division of the BBC. Furthermore, the writer had experience of working with personnel in all of the trading divisions and was therefore able to apply the benefit of her participant observation to all programming areas of the BBC, not just to network television production, the largest spending area, where Producer Choice was first implemented. All output areas have been considered, classified by the Directorates responsible for their production - Network Television, Network Radio, News & Current Affairs, Education, Regional Broadcasting and BBC Worldwide. These are the purchasing divisions of the BBC. In addition, the resource providing directorate, formed to coincide with the start of the Producer Choice Trading System (PCTS), has been investigated.

The Source Material

The units of analysis were qualitative, rather than quantitative, as is traditionally associated with case study research. They included internal documentation, external publications, reminiscences (on, and off the record), newspaper cuttings, BBC training videos and staff newsletters not normally available to external researchers or journalists, and internal papers from such stakeholders, or pressure groups, in the BBC as BECTU (the Broadcasting Trade Union), VLV (the 'Voice of the Listener and Viewer') and the BFI (British Film Institute) Industry Tracking Study ^(BFI 1997).

Extended, unpublished, transcripts of interviews with the two Director Generals of the BBC (Sir Michael Checkland, and John Birt) who held office, in sequence, during the implementation of Producer Choice, were studied. Permission was granted to check details with them. Sir Michael Checkland asked for amendments to be made to the transcript already prepared for him by its authors ^(see Barnett and Curry, 1994) so that the present research could benefit from his review of that transcript. John Birt received the preliminary report *BBC Producer Choice and Its Outcomes* ^(Harris and Wegg-Prosser, 1998) in

draft form, and comments from his office have been included, where indicated, in this study. Nicholas Kroll, on behalf of the Department of National Heritage (now Department of Media, Culture and Sport) responded to the preliminary report, and has asked for further research, as it is written up, to be sent to him.

'Overview' and the Pilot Case Study

The fieldwork was operationalised along the lines recommended by Yin (1989:70), starting with the pilot case study (Yin, 1989:80) which was undertaken in the spring of 1995. It verified the utility of the three chosen research questions - What is Producer Choice? How has it been implemented? What have been its outcomes? The durability of the bureaucratic structure seemed less significant then than now, in the light of the persistence of evidence that the BBC is still typically bureaucratic, despite the intentions of the Producer Choice initiative. The 'overview' (Yin, 1989:70) which attempted to summarise the purpose of the research was reflected in the Chronology (*Appendix One*) which was drawn up and amended as the fieldwork proceeded from 1994 onwards. The Chronology was always available at an interview in a up-to-date form, so that queries about dates or events could be resolved, if possible, at the interview, when they emerged, rather than be allowed to unsettle the interviewee or interviewer during the course of the interview.

The Interviews

The schedule of interviewees (*see Appendix Four*) was begun at the same time as preparations for the pilot case study, and it, too, evolved over time. It was important to seek as representative as possible a cross sample of personnel involved with Producer Choice, both in the BBC, and in its wider circle of stakeholders and opinion-formers. It was decided that no-one at the BBC should be interviewed about Producer Choice if they had not been a member of the organisation immediately **before** its introduction in October 1991. This meant that the new John Birt appointees, such as Deputy Director General, Bob Phillis, or Director of Resources, Rodney Lynch, were not interviewed for this study. The Director of Finance and Information Technology, Rodney Baker Bates, who was a post-October 1991 appointee, has been sent an extended version of the preliminary report of the outcomes of the research (Harris and Wegg-

Prosser, 1998). This was done because Baker-Bates, on his arrival, took over responsibility for Producer Choice from its project director, Michael Starks, and because he had, on request, provided internal BBC documentation on the formal 'Evaluation Reviews' of Producer Choice which appeared under his name. They had been undertaken immediately after 'close-out', in October 1993 (see Clout, 1994 and McDonald, 1995), and again, in September 1994. Baker-Bates was not formally interviewed for this research, because he did not qualify under the selection criteria described above.

The purpose of the interviews was to add to the knowledge built up in the literature review, the Chronology, the pre-October 1994 MBA coursework, and the pilot case study. Because the interviewees were known to the interviewer, it was essential to view the testimony they gave as being potentially biased in favour of the interviewer. The specific interview questions were the same as those used for the pilot case study: 'When did you first hear about Producer Choice?' 'What was your association with Producer Choice?' 'What do you think it has achieved?' They were designed to maximise an open description of events and outcomes as perceived by the interviewee. The summary written up after the interview had taken place was, in all but a handful of cases, referred back to the interviewee. This was done partly to ensure that the interviewee was confident their words had not been misrepresented after the event. It was also intended to prevent the circumstance where the interviewee could claim not to have said something, and also to allow the summary, as agreed, to contain minor amendments that might be thought, for reasons of accuracy or career protection, to be significant.

The cross-section of levels and task represented by the interviewees was as follows:- Internally, at the strategic level, there were interviews with each of the five output Directorate representatives on the Producer Choice Steering Group, and the Lead Consultant, the Business Policy Advisor, and the Project Director, Michael Starks. Internally, at the tactical level, there were interviews with eight senior managers, one in each Directorate, who had direct responsibility for implementing PCTS. Internally, at the operational level, there were interviews with ten managers running business units, or providing consultancy services to implement them, and with a BBC

Corporate Affairs representative. Externally, at the strategic level, there were interviews with David Graham, an advisor to the Prime Minister's Policy Unit at the time of *The Peacock Report* (Home Office, 1986) and its aftermath (1985-9), with Anthony Smith, President of Magdalen College, (former BBC producer, former director of the British Film Institute, and a well-known writer on broadcasting issues), and with representatives of VLV and PACT, pressure groups concerned for the protection of a broad range of public service broadcasting. Externally, at the tactical level, there were interviews with the President of BECTU, the General Secretary of the NUJ and with the Research Director of the British Film Institute, supervising the Tracking Study on Human Resources within the British broadcasting industry which has been funded by the Economic and Social Research Council. The four interviewees also interviewed for the pilot case study were classified as follows :- internally, one from the tactical level, and two from the operational level, together with the Corporate Affairs representative whose co-operation in the progress of the research was essential if barriers were not to appear, as had happened to others trying to pursue academic studies of how the BBC went about its aims and purposes.

Conclusion

Marshalling the evidence from all the units of analysis to describe Producer Choice, and to explain how it had been implemented across the different divisions of the BBC, was relatively straight forward, because there was sufficient data to make the appropriate comparisons of versions of events and draw valid conclusions, utilising the practice framework and the contextualist / processual model. This framework and model, however, was multi-faceted. It is considered overleaf, in terms of 'the problem' of context and process.

Part Four - Producer Choice : the Problem of Context and Process

Pettigrew⁽¹⁹⁸⁵⁾, Storey⁽¹⁹⁹²⁾, Legge⁽¹⁹⁹³⁾, Dawson^(1994 and 1997) and many others have commented that a processual approach to the management of change offers advantages over those which focus on outcomes. The problem of only considering process, however, is that the significance of context, particularly its structural aspects, can be underestimated. Context incorporates the environment, while process tends to incorporate only the organisation. This study has formulated a specific contextualist / processual approach which is outlined below^(see p.44-5 and Figure 3.2 p. 46). The outline is preceded by a discussion of the concepts of 'pervasive pluralism', 'strategic choice' and 'the practice framework' which envelop the contextualist / processual approach. These concepts are best embodied, for the purpose of this study, in some of the work of three particular sociologists: Burns^(1961, 1977 and 1981), Child^(1972 and 1990) and Reed^(1985 and 1989). The work provides important insights into the nature of choice and the conflicts that can shape the process of organisational change. In this way, for example, a model of change can be theorised that might provide for the persistence of bureaucracy.

Pervasive Pluralism

Tom Burns uncovered features of British bureaucratic structures that were lacking in the examples studied by Crozier⁽¹⁹⁶⁴⁾ in France. Most particularly, the structures were capable of adaptation. Burns' social process view is best articulated in Burns and Stalker's *The Management of Innovation*^(1961: 119-125). As Child^(1972:13) points out, Burns^(1966:xxvii-xxix) draws attention to the fact that although the technical expertise need is growing, senior officials still retain control over policy initiation and implementation; together they create a dominant coalition; but at times, other groupings of a more sociable kind can have influence. Writing in *The BBC: Public Institution and Private World*⁽¹⁹⁷⁷⁾, Burns described, as Reed^(1989:37) points out,

'the complex processes whereby rational control systems are distorted by the long-term impact of substantive conflicts within management over access to resources that will critically affect the future direction of organisational development.'

The most significant aspect of Burns' work, however, for this study of Producer Choice and its relationship to models of bureaucracy and of the process of change, is his ideas about 'a pervasive pluralism ... within organisations' (Burns, 1981:3) in which two key sub-systems can be identified: the 'collaborative system', based on shared values, and the 'managerial structure' based on bureaucratic systems (Burns, 1981:4-10). Reed (1985:128) classifies these ideas as part of a modified 'negotiated order theory' (Strauss, 1978). Initially, both Strauss and Burns were applying the concept of negotiated order in relation to hospital organisation. It is Reed (1985:128 footnote) who suggests that the distinction can be applied to a wide range of organisational types, and who points out (1985:129).

This process of imposing the managerial structure on the collaborative system often provokes severe outbreaks of tension and conflict within the work organisation which have to be contained and coped with by the managerial practitioners who produced it in the first place.

If organisational change is just another process of imposing, based on the rules and regulations of a bureaucracy, 'the managerial structure on the collaborative system', (Reed: preceding paragraph), then, that model of organisational change could explain the persistence of bureaucracy. But the imposition of structure on the collaborative system does not necessarily bring about organisational change. As Burns (1977:87-8 and 97), points out, with regard to BBC pay and conditions of service, pay grading is institutionalised:

Grading, the most pervasive and at times the most absorbing of the player-spectator sports played throughout the Corporation ... Pay is the institutionalised area of conflict ... and the main criticism of the grading system is that in attempting to rationalise this game, the BBC has succeeded in inventing an extra one. It is possible to see in it the archetypal form of the Corporation's capacity for dodging management issues and then wrestling, with endless patience and superb skill, with the consequences.

Strategic Choice

The work of John Child (1972 and 1990) on managerial choice has concentrated on the strategic relationships between organisations and their environment. His theory of strategic choice (Child, 1972:10-16) states:

The analysis of organisation and environment must recognise the exercise of choice by organisational decision makers ... who have substantial choice in the planning of organisational structure ... When incorporating strategic choice in

a theory of organisation, one is recognizing the operation of an essentially political process in which constraints and opportunities are functions of the power exercised by decision makers in the light of ideological values.

The theory of strategic choice arose partly in reaction to positivism which, as Burrell and Morgan ^(1979:231) note, had played out its course by the time of the 1960's. But McLaughlin and Clark ^(1994:55) make a similar point, that the outcome of technical change is socially chosen by organisational actors. Reed ^(1989:106) considers that Child's development of strategic choice places him at the intellectual crossroads between a systems-derived approach which is struggling, through a strategy of containment, to retain its intellectual grip on organisational studies, and an action-derived approach, which is intent on freeing organisational analysis from the restrictive confines which the systems-derived approach imposes.

The Social Practice Framework

Echoing Bourdieu ⁽¹⁹⁷⁷⁾, Reed's ^(1989:20-27) social practice framework provides a means of integrating the technical, political and critical perspectives of management into a 'complex web of inter-relationships'. Furthermore, it links together the behavioural, organisational and institutional levels of analysis necessary for an understanding of organisational change, particularly the issue of control, and its impact on the relationship between resource allocation and creativity. Echoing Crozier ⁽¹⁹⁶⁴⁾, Reed ^(1985:124) points to the inadequacies of 'explicit principles or mechanisms' (such as rational bureaucracy) to facilitate detailed control within organisations, and the consequent need for implicit assumptions and codes to act as control devices which inevitably generate potential areas of resistance and change. Regarding organisational change, he writes ^(1989:26) :

The periods during which substantial organisational restructuring has to be initiated by managers against a backdrop of situational change are likely to prove most revealing in terms of the underlying tensions that are released between the logic of bureaucratic control and the operational demand for coping devices that radically undermine the former.

In Reed's practice framework, choices are negotiated not simply by contingencies within the environment, nor, 'in a clinically technicist, or mini-Machiavellian way', but rather they are mediated by managerial conduct 'oriented to the assembly of those

recalcitrant resources that enter into productive activity' (Reed, 1989:26). The practice framework of managerial perspectives and levels of analysis augments that of Burns, with his modified negotiated order view of organisational arrangements emerging from a bureaucratic structure and a collaborative system, or of Childs, with his theory of strategic choice which emphasises the operation of an essentially political process.

The Contextualist / Processual Model

In his study of organisational transformation at Imperial Chemical Industries (ICI) Pettigrew (1985:46) argues that the 'three-legged stool of content, context and process' provides the key to an analysis of the management of change. Summarised as 'a contextualist approach' (Pettigrew, 1985:36), Pettigrew expects there to be a clear description of the processes under examination, and an acknowledgement that the organisation (such as the BBC) can be explored as a continuing system with a past, a present, and a future. Within the processes under examination, (Pettigrew, 1985: 36-8) there is 'an actor level ... interacting, acting, reacting, responding and adapting', and 'a system level ... emerging, elaborating, mobilising, continuing, changing, dissolving and transforming'; the theory driving these multi-levelled processes on is based on the human inclination to adjust social conditions to meet desired ends, and on the part played by power relationships in the processes' development; there is an 'outer context' of the environment, and an 'inner context' of the organisation; context and process combine in a multi-level theory which relates the ingredients of constancy and variability to the outcomes of any organisational change. Because organisations have the continuum of a past, present and future, the context of change, its process, and its outcomes each display variability on some dimensions, as well as constancy on others. Establishing the relationships between these variabilities is an essential component of the Pettigrew contextualist approach.

Dawson's processual framework is somewhat different from that of Pettigrew's approach. Dawson (1994:40-3) accepts that Pettigrew's vertical levels of outer and inner context and horizontal levels of temporal interconnectedness are important, but he describes a slightly different 'three-legged stool' (to utilise Pettigrew's metaphor): 'substance, context and politics' of change; Pettigrew's 'actor level' is described within

the politics of change, and his 'system level' is located within both the substance of change and the context of change. For Pettigrew, both actor and system levels were located within the process of change. Dawson ^(1994:44-5) combines 'the three general timeframes of change' (before, within and after) with 'the threefold classification of factors shaping the process' (context, politics and substance of change) to arrive at a 'processual framework'. In this way, he highlights 'process' as the dominant feature of organisational change, rather than incorporates it, as Pettigrew does, within a 'three legged stool' that includes content and context. Within 'substance of change' Dawson accepts that the organisation's perception of the need to change is part of the outcome, or substance, of change. Furthermore, in foregrounding the concept of 'the politics of change', Dawson is being more explicit than Pettigrew in labelling 'political' as his managerial perspective, although Dawson ^(1997:114) would stress that the three dimensions (substance, context and politics) must be combined.

There is significant merit in both the contextualist and processual approaches outlined above, when the history of the process of Producer Choice is examined. It is not sufficient to take only the Pettigrew ⁽¹⁹⁸⁵⁾ or the Dawson ⁽¹⁹⁹⁴⁾ approach, because in the case of the first, Pettigrew, the interaction of the negotiating parties can be buried within the process of change, and given inadequate attention, and in the case of the second, Dawson, the substance of change does not provide sufficiently for the variability in achievement that is so essential a feature of Producer Choice. If the bureaucracy remains, or is even strengthened, despite the intentions of the change programme and the internal market to minimise or even eradicate it, then a model of change that provides for variability in outcome must be utilised, despite its shortcomings regarding the absence of a specific category on the politics of change.

Because of the merits of both approaches, this study has adopted a hybrid 'contextualist / processual' approach which can put Producer Choice in its historical and environmental context by explaining what it is, (chapter four), explore the ways in which it was implemented (chapter five), and define its outcomes (chapter six). The hybrid approach is summarised in: 'Five Pointers to an Understanding of the Development of Producer Choice', presented overleaf as *Figure 3. 2*:

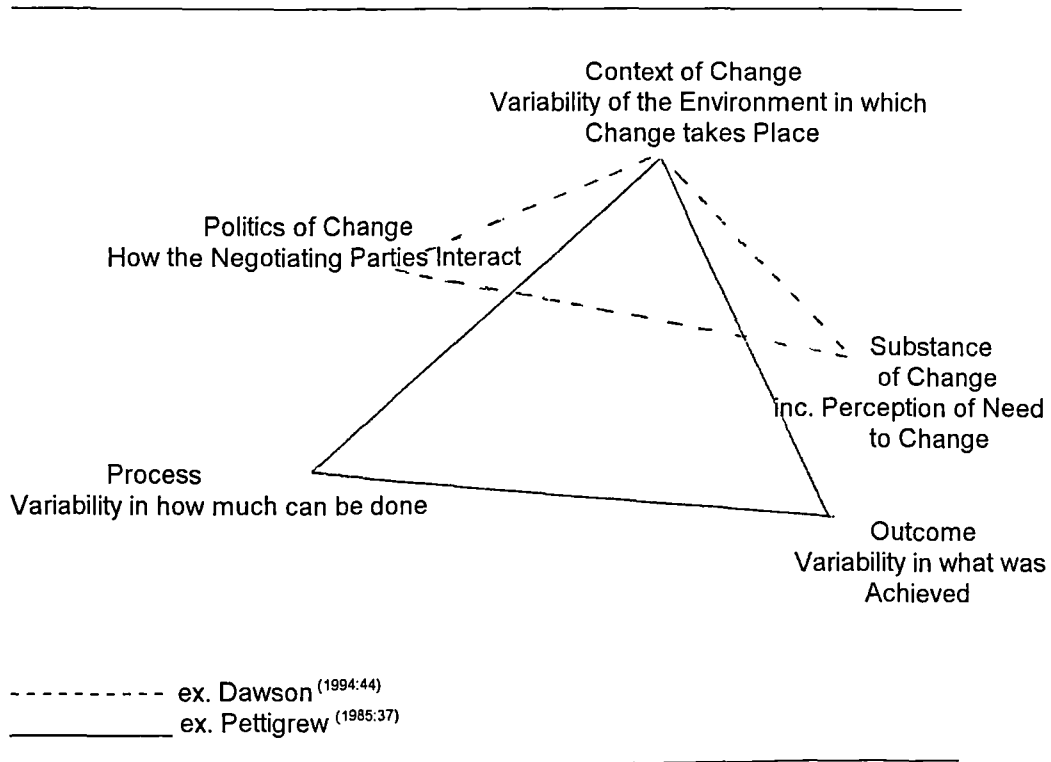


Fig. 3.2 : Five Pointers to an Understanding of the Development of Producer Choice

Formal Project Management Procedures

The technician approach to managing change includes the use of formal project management methods which can account for the failure of certain processual studies of change to integrate the environment with the organisation. The essence of the project management approach to organisational change is that the task of introducing change is treated as a finite project. It is costed as such, and the benefits it intends to deliver are used to justify the cost before the project has commenced. Senior management (the owner) commit to the project and support the change consultants (the contractor) who devise the change programme ^(see Turner, 1993:53 and section on 'top down systemic change' in chapter two, p.18). A 'champion' is appointed to oversee the implementation of the change programme (usually the managing director or chief executive) and he/she empowers the project manager to run the steering group in whatever manner is needed to ensure that the change programme will be completed, within defined scope and organisational parameters, on time, within budget and to the desired quality specification. The champion is required to look outwards, to the horizons of the organisation, and is in charge of the 'mission'; the steering group handles 'objectives', while the project manager manages the project's 'strategy' and 'tactics'. The lowest level of the organisation, 'operations' is managed by personnel at the tactical level who are assigned the task of implementing the project.

The mnemonic for this process is 'MOST':- the Mission infuses the Objectives, which cascade down through the levels of Strategy, Tactics, and operations. Then, in theory, the reactions 'feed-back' ^(Wiener, 1961, 2nd edition:vii) from these levels to the champion, and the steering group, at the top of the organisation. Very often, and certainly in the case of BBC Producer Choice which did follow formal project management procedures, the project manager delegates much of the tactical work to change consultants who specialise in the work break down structures, the milestone paths, and the training programmes which characterise this level of project implementation. Teaching the staff that there is a need to change is often the first task of the training programme. Brainstorming takes place at the outset, interrogating what type of People, Systems and Organisation (PSO) are needed in the organisation, after the change has been introduced. It is at this time that the champion of the project will need to ensure that

his/her vision of the PSO is attainable. If possible, there will also be pilots, dry runs and simulations of the proposed organisational change. 'Health checks' occur during the course of the change programme to confirm that the project is on course, even if amended, before it 'goes live'. The classical management process defined by Fayol (1949: chapter headings) as 'plan, organise, command, co-ordinate and control' is followed, but because a project is finite, there is also the process of 'close-out', when the contractor hands the project over to the owner, usually at a formal party. The project manager and team move on to other tasks, leaving the organisation to manage the new rational, controllable system, and conduct the specified number of its reviews. In theory, each person remaining in the organisation has been persuaded of the need to change, has 'bought-in' to the new system, and is able to deliver the benefits that the project promised at the outset. The methods of project management do not provide for the critical perspective that might question whether a system can be rational and controllable.

There are other mnemonics that need to be explained concerning project management techniques such as 'SMART', and 'The McKinsey Seven'. SMART refers to each task within a project being Specific, Measurable, Attainable, Relevant and Time-bound. 'The McKinsey Seven' refers to the preferred method, inspired by the management consultants, McKinsey, with which a PSO project (see preceding paragraph) would be 'brainstormed' - that is, brainstormed along the lines of the required organisational: 'strategy, structure, style, staff, systems, shared values, and skills', needed, in senior management's judgement, after the introduction of the change programme. The change programme operates formally on three levels: tactical (which includes operations), strategic, and integrative, corresponding with the practice framework of behavioural, organisational, and institutional levels. The management perspective is technician at the behavioural level and political at the organisational level.

Project management is fraught with unintended consequences, and goal displacement, because it is based on 'one best way'. Each project tends to spawn another because of its fleeting temporality. As the completion date looms, further projects are devised to take over those parts of the change programme which have yet to be achieved.

Pettigrew's work ⁽¹⁹⁸⁵⁾ on ICI, and Child and Smith's work ⁽¹⁹⁹⁰⁾ on Cadbury Ltd testify to the number of projects undertaken over time, each with appropriate code name, that demonstrate how self-perpetuating the work of project management can be, even though each project is finite. The same can be demonstrated of the BBC's approach to project management. The growing fashion over the last twenty years has been to utilise external change consultants rather than an internal Organisation Development (OD) department to bring about organisational change ^(see, for example, Pettigrew, 1985 and Jackson, 1995). The exact role of external change consultants can be hard to discern from published sources about change programmes, because the relationship between owner and contractor is confidential. Each will attribute specific roles to each other based on the definition of the contract, rather than on what actually happened in practice. The owner of the project will claim creative ownership, but is unlikely to reveal that the outcome of the project was determined with the external change consultants before consultation and implementation with the workforce. Sometimes the external change consultants join the workforce rather than move on to further projects, but in either case, they are unlikely to admit to shortcomings in the change programmes which they helped to design. By the very nature of the owner/contractor model excluding the operational workforce from its deliberations, at the outset, resentments build up within the workforce that prejudice them against the project regardless of its merits or shortcomings, until such time as the change programme does permeate their 'cognitive maps' ^(Mant,1986:40) or 'intellectual reframing' ^(Child and Smith, 1990:327).

The contextualist / processual model outlined above ^(p. 46) in *Fig 3.2: Five Pointers to an Understanding of the Development of Producer Choice* is useful for both the analysis of the internal market at the BBC, and for the analysis of the project management of the change programme designed to introduce it.. Child and Smith ^(1990:327) describe 'organisational transformation' as needing 'a material structural change' as well as 'cognitive or intellectual reframing'. The quasi-market required structural change at the BBC, and the change programme was designed to bring about intellectual reframing before the introduction of the quasi-market. As is shown in chapters four and five of this study, the project management approach to the management of change did not deliver the objectives on time, within scope, on budget,

or to the required quality specification. Something resembling an internal market, and called 'Producer Choice', did 'go live' on 1st April, 1993, but it did not conform to the specification set out in the autumn of 1991.

Business Process Re-engineering (BPR)

One recent 'technology of management' (see above, p.5), BPR, makes the claim that bureaucracy can be eliminated altogether. Hammer and Champy (1993:48) advocate BPR in this way:

'The underlying problem, to which bureaucracy has been and remains a solution, is that of fragmented processes. The way to eliminate bureaucracy and flatten the organization is by reengineering the processes so that they are no longer fragmented. Then the company can manage nicely without its bureaucracy.

The Producer Choice Change Programme (PCCP) followed quite closely the change model outlined in Hammer and Champy (1993:116) of leader, process owner, re-engineering team, steering committee and re-engineering czar. The premise that BPR can eliminate bureaucracy is unproven. Utilising the practice framework, BPR is a technicist and political response, at an organisational and institutional level, to demands made by certain stakeholders that the organisation must change. It does not incorporate the subtleties of the contextualist / processual model of change outlined above.

Nevertheless, there are many observable phenomena of BPR in PCCP, in addition to the Hammer and Champy (1993:116) prescribed roles of leader, process owner, re-engineering team, steering committee and re-engineering czar. These phenomena are listed in *Appendix Two* under the heading of 'Re-engineering Perspective'. In comparison with this, in the same *Appendix*, there is a list of phenomena under the heading 'Social Process View' that indicate how much of the change programme retained the characteristics of change management observed, for example, by Tom Burns during his time of research at the BBC in 1973 (Burns, 1977). That there is tension between these two perspectives on organisational change is not in doubt. The one, on radical change, is associated with John Birt, and under his direction the Producer Choice Steering Group had an over-technical focus. As Willcocks (1992: 190) points out,

with reference to public service management, firstly that this derives 'as an inheritance from traditional (and still dominant) systems design practice' and, secondly that, regarding IT-based systems (and IT reforms played a significant part in the Producer Choice change programme), there was 'widespread use in projects of private sector consultancy and computer firms who understandably are rarely at home with the behaviours and politics produced by organisations so complex as those found in public administration'. The social process view of organisational change could not be explicitly adopted by John Birt because it provided for too little change from his point of view. The rhetoric of BPR was profoundly useful to him. He would find it difficult in public, but relatively easy in private, to agree with Pollitt ^(1990b:24) that:

'Much empirical work reveals that large organisations are usually honeycombed with different and contrasting cultures, many of which are deeply embedded in the belief systems of the staff concerned, and are unlikely to be substantially altered by short-term management campaigns to promote a new 'image'.

Organisation Development (OD) - 'an act of faith'?

It was the ideology of the Thatcher government in the 1980's that required the public sector to utilise change management programmes that would appear to be different from those associated with the previous era of corporatism ^(see e.g. Schaffer, 1988 and Rusbridger, 1994's gullibility on this point). But it would be wrong to conclude that BPR or the less radical TQM approach ^(Selim and Woodward, 1992:158 and Reed, 1995:44) were particularly representative of a new way of managing change at the BBC. 'Get the right things done' and 'Effectiveness can be learned' ^(Drucker,1967) had been fashionable mantras for managing change during the early 1970's when McKinsey consultants introduced the divisional form at the BBC ^(see Chandler, 1962, Argyris, 1970, Hill, 1974, Burns, 1977 and Briggs, 1995). These mantras can be summarised as 'the 'act of faith' school of OD ^(Pettigrew, 1985:518). What is new about OD in the 1990's is that its creed has developed through its application to many denationalised industries, and semi-privatised public services. As McKevitt ^(1992: 44) points out, OD can grapple now not just with operational matters, but also with more institutional problems than hitherto.

A vital part of any assessment of the BBC is a sense of history. It is particularly important in the case of this study, because the past was scapegoated by those anxious

to assert that the BBC was capable of change and would embrace OD as an act of faith. It became essential to deny the evidence of the past in a way that could only be short-term because evidence, in the form of the persistence of much traditional, or learned, organisational behaviour, cannot be obliterated. BPR believes, as an act of faith, that organisational processes can be so re-engineered as to make the past an irrelevance. The social process view of change allows for continuity with the past, as *Appendix Two* makes plain. The contextualist / processual model, within the social process view, is acutely sensitive to the past, as well as to the future. This is probably the most important reason why it is preferred, over the BPR approach, as a strategy for analysis of the introduction of change at an institution such as the BBC. It would be easy to point to the many re-engineering outcomes of Producer Choice and conclude that the BBC has changed, but that would be to adopt a perspective on management that allowed mainly for a techno-political approach, and it would marginalise the critical and institutional perspectives.

CHAPTER FOUR - WHAT IS PRODUCER CHOICE?

Introduction

The BBC has undergone a process of organisational change, which has altered the way in which resources are allocated to programme makers. The change involved the design and introduction of an internal or 'quasi-market' (see Williamson, 1975 and 1992 and Le Grand and Bartlett, 1993). The title 'Producer Choice' was used, both for the process of organisational change, and for the internal market, which the BBC called a trading system. Producer Choice, therefore, consisted of two elements: a Producer Choice Change Programme (PCCP), and a Producer Choice Trading System (PCTS). This chapter describes and evaluates the ideologies (in the sense of belief systems) that underpinned the use of the term 'Producer Choice' as a label, for both the change programme and the trading system. It also describes the advent of Producer Choice, and the component parts of PCTS. The investigation of PCCP is contained in chapter five which describes how the trading system was implemented.

This chapter cannot describe the component parts of PCTS without first providing the ostensible reasons for the new trading system, and explaining how resource allocation was managed at the BBC before the introduction of PCTS. The chapter therefore incorporates a description of the 1968-72 McKinsey reforms which were intended to introduce the notion of accountability to resource allocation and producer behaviour at the BBC, and a summary of the goal displacement of these reforms that occurred, progressively, during the 1980's. It was in reaction to the growing dysfunctions of the existing system of resource allocation that the internal market was devised. The dysfunctions were perceived as affecting the behavioural, organisational and institutional levels of the BBC by way of performance that was thought to be inferior to what a range of stakeholders in the BBC thought the organisation could achieve. The varying stakeholders' assessments of this performance were highly subjective, and lacking in consensus. Those who thought the BBC could do better brought a substantial variety of technician, political and critical attitudes to bear when they described their recipes for the BBC's survival in a multi-channel environment.

Part One - The Ideologies of Producer Choice

Producer Choice is the accepted term for a set of organisational reforms introduced at the BBC from October 1991 to March 1993, and implemented from April 1993. At the institutional level, the use of the word 'choice' was indicative of the need to show support for the ideology of the Conservative government which was committed to radical change, and which had articulated the notion of consumer choice, or sovereignty, as one of the tenets underpinning that ideology. The government anticipated that all broadcasting institutions would have demonstrated evidence of a greater accountability to consumer choice by the early 1990's. (see, in particular, Barnett and Curry, 1994 and Davidson, 1992). Contemporaneous legislation on education and national health provision in Great Britain had also emphasised the notion of choice.

In the late 1960's, an earlier set of reforms, designed to enhance accountability, had been named after their architect, the consultants: McKinsey. In the mid-1990's, the BBC assigned the name of the architect of a regional proportionality formula, David Hatch, to the policy that embraced it (see below, chapter five, part two). But the policy that was to endorse an internal market at the BBC needed to find favour with the BBC's paymasters, the government. Giving the policy the name 'Checkland' after the Director General who first endorsed Producer Choice, or 'Coopers' after the consultants, Coopers, Lybrand, Deloitte, who designed much of the change programme and the trading system, would not have had the same resonance with the government as the word 'choice'. Just as the BBC assigned the title 'Charter' to the pledge they gave independent producers about fair commissioning practice after the launch of the Citizens Charter, so they assigned the title 'Choice' to the 'resource management initiative' (BBC 1991:1), which internal studies at the BBC in 1990 had recommended for development. The word 'Choice' also appeared in the lexicon of the BBC's Charter Renewal programme: *Extending Choice* (BBC 1992b and 1996), for similar reasons of showing support for the government.

The words 'Producer Choice' did not imply 'producer sovereignty', although it might be thought that this were the case. Checkland's words were 'freedom and

responsibility' ^(BBC 1991:1), to buy resources internally or externally of the BBC's resource base. The intention was for producers to exercise accountability by being individually responsible for their programme budgets in a way that had eluded them in the past. But the McKinsey reforms had been designed to do that in the early 1970's, and had been diverted, as is described below in parts three and four of this chapter. There were few reasons to suppose that Producer Choice would mean what it said, but as a title, it had a ringing, neo-liberal tone.

Of course, Producer Choice is something more than a title - it is synonymous with a management philosophy based on the mechanics of choice and competition. Producers were to be allocated the full costs of benchmarked programmes, for which they had successfully competed, as part of the programme production process. As designated fund holders, producers would then choose whether to spend the resource element of the costs internally or externally of the BBC's resource base. If, after a period of review where necessary, the internal resource provider could not match the external provider for price and quality, then the internal provider would be closed down, on the basis that it were not providing value for money for the licence fee payer. Over time, and within the constraints of cash and borrowing limits, producers would collectively condition the size of the BBC ^(BBC, 1993a: cl.4.5 and Starks 1993, and *Appendix Four*).

Producer Choice is not just a title which reflects marketisation, and a management philosophy which inspires a mechanistic reorganisation of resource allocation, it is also a cost-cutting device which has trimmed some 30% from the BBC's cost base. These savings, for example in overheads and property charges, have been put back into programmes at a time when the licence fee income is flat, and likely to remain so. Performance measurements can now monitor the BBC's declared purpose to deliver quality programmes, efficiently made, in a framework of public accountability, and within an 'effective' organisation ^(Bir, 1993a: 2-12). This cost cutting is designed to continue until these BBC measurements indicate that the internal resource delivers more value for money than the comparable and available external resource.

The three salient Producer Choice features of title, competition and cost reduction satisfied the government's requirements that the BBC should show itself to be capable of reform, if it were to earn the right to licence fee funding beyond the expiry of its current Charter in 1996. The objective of Charter Renewal was achieved by the 'grand design' or 'strategy' (both expressions were used) of Producer Choice. In its wake, came a managerial transformation which strove to cast programme editors as managers of a business, part private, part public, which was somehow to be the 'best managed public sector organisation in the U.K.' (Birt, 1993a: displayed on overhead projector)

The schema of the 'ideologies' of PCTS is featured below in *Figure 4.1*:

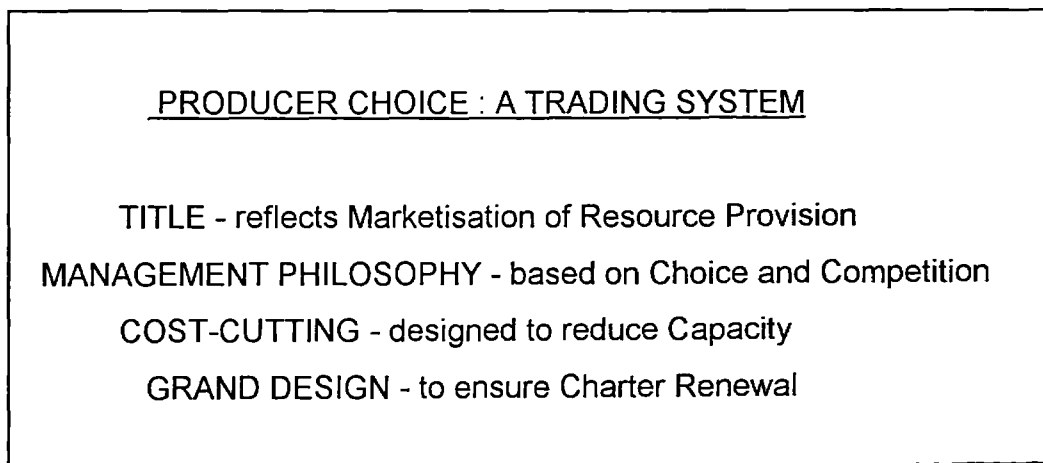


Figure 4.1 : Producer Choice, A Trading System

Part Two : The Reasons for Producer Choice

The ostensible reasons for the new trading system are associated with three aspects of context in the 1980's: firstly the intentions of the government, and of the BBC's Board of Governors and Board of Management, which were part reflected in the 'ideologies' of Producer Choice outlined above; secondly, the external and internal environment of increasingly complex trading relationships; and thirdly the typically contested area within the BBC over access to resources. The extent of these resources was determined by programming strategies, and by the level of the licence fee which was subject, usually, to tri-annual negotiations between the government and the BBC, within ten-year Charter periods. At all levels of analysis, the opportunities for organisational change, and the possibilities of structural change, would be explored during the process of Charter renewal negotiations, due to begin formally in 1991.

Turning in detail to the reasons for Producer Choice from the perspective of the government and of the BBC's senior management, it is important to understand that there was a consensus about the need for change at the BBC. Whether change actually happened, and what form it took, will be considered below ^(chapters five and six). The simplistic answer to the question 'why Producer Choice?' usually dwells on the intentions of the two director generals involved with its introduction:- the first was Michael Checkland (1987 - 1992) who wanted to make the BBC more entrepreneurial and responsive to the external market; the second, John Birt (succeeding Sir Michael Checkland at the beginning of 1993) carried the change programme further than had been anticipated, and gave the initiative its transformational character. It was the extension of Producer Choice as a 'television resource management initiative' ^(BBC 1991:1) into all corners of the BBC that tested to the ultimate the political leadership qualities of both director generals. It also tested those same qualities in other BBC stakeholders, such as trade union officials representing differing talent and craft union memberships, some neo-liberal economists, and some liberal-corporatist academics ^(see, for example, Paterson, 1993, Garnham, 1994 and Harvey and Robins, 1994). As Pettigrew ⁽¹⁹⁸⁵⁾, Dawson ⁽¹⁹⁹⁴⁾, and many others have shown, organisational change needs the support of senior organisational actors. Checkland and Birt gave Producer Choice this support

unequivocally during their respective times as Director Generals of the BBC. In turn, they were encouraged, at the appropriate times, by the Chairman of the governing body of the BBC, Marmaduke Hussey, and by compliant fellow-governors 'to drive an internal reform process' (Mulgan, 1996:207). They all wanted Producer Choice, for the ideological reasons outlined above, and they were in a position to secure it.

However, the underlying force behind Producer Choice was not a result of individual decision making; rather it was the switch in the structure of social institutions from hierarchies to markets which Conservative governments since 1979 had supported with their dogma of consumer choice. If markets had outclassed hierarchies as a basis for trading relationships in the private sector, then why not introduce them to the public sector? Marketisation held out the prospect of reducing the high cost of public sector borrowing of which the BBC's debt formed a part. Furthermore, the report of the Committee on Financing the BBC, chaired by Professor Alan Peacock (Home Office 1986) implied that the **ends** of public service broadcasting did not necessarily have to be delivered by the **means** of a licence-funded BBC. Peacock's recommendation, that at least 40% of all (non-news) television programming should be made by independent producers, was diluted to 25%, and drafted in to the Broadcasting Act (Home Office 1990). The prospect of the 25% quota, to be phased in over four years before it became mandatory in 1993, forced competition in to the BBC, and in to the ITV companies, in the way the monetarist economist, Brian Griffiths (Head of the Prime Minister's Policy Unit) had envisaged (see David Graham : *Appendix Four* and Barnett and Curry, 1994:61). The new sector of independent producers had a significant impact on the structure of the broadcasting industry (see, in particular, Barnatt and Starkey, 1994). Sir Michael Checkland and James Moir, to name but two out of many BBC managers interviewed for this study, (see *Appendix Four*) stated that the biggest single structural change in British broadcasting in the 1980's, was the emergence of a viable independent production sector. For the first time, 'make or buy' options could be considered as a business strategy by the BBC, and 'buying' might eliminate almost all fixed costs, replacing them with variable costs.

The neo-liberal tendencies and anti-union policies favoured by the Thatcher government were so entrenched by the late 1980's that two successive director

generals were prepared to use the market in a hitherto unimaginable way to drive change through the BBC. Producer Choice fitted organisationally and institutionally with the Treasury's approach to the public sector, but, it also fitted with the needs and wants of certain key players at the operational level. These players were some leading BBC Network Television and Current Affairs producers whose function in the structure of the BBC was to act as junior managers. They were increasingly frustrated by their lack of control over how fixed costs, known as 'below-the-line', were calculated for budget purposes, and then allocated as resources during the course of production. Typically, below-the-line costs included all staff and equipment resources (making up 60% of an average budget) plus overheads (a further 10% of an average budget); above-the-line (or variable) costs were those going out of the BBC in cash for such items as artists' fees, rights, and production consumables (accounting for the balance of 30% of an average budget). They were convinced that if they were 'given the money to spend', (Aaronovitch and Cregeen : *Appendix Four*), they could enhance the production values of their programmes at a time when licence fee income was predicted to 'plateau'. This funding plateau resulted from a reduction in the numbers of payers converting from black and white licences (costing £22 in 1989/90) to colour (£66 in 1989/90), following a steady increase of 'conversions' during the 1970's and 1980's. In radio, which relied on high volume, low cost and short lead times, (and with minimal availability of independent suppliers), the problem of budgetary control did not appear to be acute. But in television, with the exemplar of independent producers delivering to other broadcasters in return for cash, it was becoming clear that the BBC could not compete as a producer with them on price, particularly while there was no transparency between internal and external costings (Checkland 1994: tape # 2, 3-5).

By the time of the BBC's finance year April 1988 to March 1989, there was a consensus of the need for change, not only among senior management and the governors of the BBC, but also among some operational players who thought they could make better programmes if they controlled their own resources. This was not a dominant coalition between senior and junior management because the two tended to work independently of each other. Senior management could claim (see Checkland, 1994 and Grove, 1995) that producers (the junior managers) were too busy concentrating on

programme production to become involved in the wider environment of resource planning. Junior managers ^(Aronovich and others unnamed: *Appendix Four*) enjoyed considerable autonomy from senior management, and could work the resource planning system to their own advantage, were they to choose to do this. Even if there were not a specific coalition to achieve change at the BBC, there was certainly a coalescence of ideas about the need to find a new way of managing resources. Checkland ^(1994: tape # 2, 3-5) and his senior management knew that the BBC had to be able to state what programmes cost in cash, rather than in resources and cash, in order to take on the threat of independent producers as rival suppliers, who, in theory, worked only in cash. At the same time, some producers at the junior management level were determined to investigate the possibility of controlling the way in which their resources were allocated to them, with a view to gaining authority to control those resources. This was with the aim of making better programmes, and increasing their power base at the expense of unit managers who were junior to them. Unit managers worked the planning system for administrators responsible to the Director of Resources, rather than for creative programme editors responsible to the Channel Controllers ^(see Anderson and Taylor: *Appendix Four*).

There were two outcomes of this consensus for change which the director general endorsed for implementation in the finance year, 1988 - 1989. They comprised two initiatives, which are acknowledged ^(see Checkland, Cregeen, Lennon, Taylor and Wyatt: *Appendix Four*) as being the immediate reasons for, or the preludes to, Producer Choice:-

- 4.2.1 **'zero based budgeting'** (ZBB) in which budgets were built from scratch, in cash, (rather than incrementally; year on year, with resource costs allocated as time and effort, not cash);
- 4.2.2 **feasibility studies** in drama, light entertainment, and factual output, and in multi-camera Outside Broadcasts (OB's), which concluded that costs could be reduced by 15% without loss of quality, range or quantity of programming, if producers controlled all cash and its resource allocation.

From a critical perspective, once the decision was taken to restructure programme budgets, and to look at the possibility of producers controlling the way those budgets were not only created, but also what they comprised, and how they were spent, it was only a matter of time before resource allocation in the BBC changed in a fundamental way. As has been explained on the preceding page, the reasons for ZBB and the feasibility studies arose out of a concern for better financial management because licence fee revenues were not expected to continue on their upward curve. The option that the political climate favoured was to cease to fund central resource planning, a type of 'command economy'¹ (see Checkland, 1994, and Birt, 1993b), and to fund individual producers instead. At the same time, these producers were to be imbued with a sense of freedom and responsibility in keeping with prevailing neo-liberal orthodoxies that would ensure greater accountability on the part of the BBC to its licence fee payers. The option to scrutinise resource planning and impose greater discipline on its centralised methods of resource allocation would not have found favour with the government of the day. In this context, it became a matter of political expediency that markets, rather than hierarchies, should be explored, as a means of changing the structure of the BBC at a time when the need for change was not in doubt.

As there was a consensus for change among many players within the BBC, and as centralised planning was discredited in ideological terms, and was not performing particularly well, planning became the focus of an organisational imperative of seeing change happen. This imperative was to be enacted by the realist senior managers, who knew the status quo was not an option, and by the radical junior managers who wanted to do better, each against a backcloth of institutional change favouring markets over hierarchies. To understand more about the hierarchy of the command economy of the BBC before Producer Choice was introduced, it is necessary to go back, some twenty years, to the McKinsey reforms of 1968 - 1972. Like Producer Choice, the McKinsey reforms were products of their time, as the next section of this chapter makes plain.

Part Three : The McKinsey Reforms, 1968-72

The parallels between the history of the BBC in the late 1960's and in the late 1980's are significant. In both periods a rising revenue curve was flattening, and the BBC's competitors in commercial television were re-grouping. Consultants were brought in to endorse proposals which recently-appointed Chairmen wanted to implement, as a corrective for the error of the BBC's ways, and as an indication of who was in charge. As Ferris ^(1990:228 and 254) describes it, 'reorganisation was in the air' (in 1968) and ... 'the enemy finally reached the gates late in the 1980's'. Of course, the McKinsey reforms of the late 1960's, and the Producer Choice reforms heralded in the late 1980's, represented more than collusion between government and government-appointed Chairmen. In an institutional sense, the reforms shared a moment in time when structural change was diagnosed by influential stakeholders and by key organisational actors as being necessary, and yet it was difficult to implement. In both cases, decentralisation was part of the formula for change, but in the late 1960's it was linked with a hierarchy, whereas in the late 1980's it was linked with marketisation.

The McKinsey report, as a prelude to the reforms, was commissioned by the BBC in 1968, in reaction to concerns about organisational effectiveness which were not unlike those expressed in the late 1980's. In 1966/7 there had been a crisis in the governance of the BBC, following an acrimonious licence fee negotiation in 1965, worries about the cost of debt service (after the launch of BBC2 in 1964 on 625-line transmission and the capital investment needed to produce and broadcast in colour rather than black and white), rationalisation of the ITV companies whose new franchises were to begin in January 1968, and the appointment of an interventionist Chairman (1967-73), Lord Hill of Luton. He claimed authorship of the McKinsey reforms, saying ^(Hill 1974:111) he had called in the consultants so that their recommendations on the financial and administrative structures of the BBC would:

'build in to the BBC a positive system of management which did not depend on the spending of money handed down from above ... and (would) demand the active participation of those spending the money in the setting and achieving of objectives related to the more effective and economic use of available resources'

The McKinsey organisational reforms were designed to decentralise power away from the unitary structure of the corporate centre, Broadcasting House, and give it to the newly-created directorates of Television, Radio and External Services. Each directorate, or product division, would be responsible for its own finances, and would be run by a managing director, representing the 'positive system of management' that Hill had required. The re-organisation had been inspired by conventional examples in industry popularised in the multi-divisional organisational structure recommended in the influential text *Strategy and Structure* (Chandler 1962:10). As Antony Jay (1987 2nd edition: 13-14) noted in *Management and Machiavelli* in 1967:

'The simple days of the boss and the labour force are over: between the two has come the 'hierarchy', the 'management structure', the 'chain of command' ... Management is the great new preoccupation of the Western world.'

McKinsey recommended that news output on the home services should be the responsibility, respectively, of the radio and television directorates, so that their costs could come within the aegis of radio and television resource allocation. However, as Briggs (1995: 731) points out, the out-going director general, Hugh Carleton Greene, persuaded the Governors to agree that news output should remain separate because it was not a 'controllable commodity' - staff and resources had to be deployed in accordance with events. This meant that, under the continuing control of the director general, news output could dominate the schedules at the expense of the other 'controllable' commodities of radio and television output, if necessary (Briggs, 1995:732).

A version of the Chandler multidivisional structure, amended to show the BBC after the introduction of the McKinsey reforms, is reproduced below: *Figure 4.2*

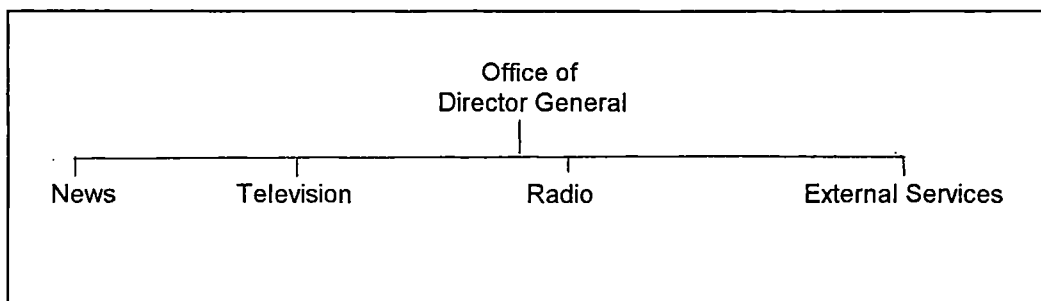


Figure 4.2: Multidivisional Structure of the BBC, 1970

As Burns ^(1977: 230) notes, many commentators at the BBC looked on the role of the consultants, McKinsey, as being 'mysterious'; they suspected the reforms were just 'a popular managerial detergent' designed to persuade the government of the BBC's ability to do something about its alleged extravagance. As with Producer Choice, the mood was consistent with the need to see change happen. There was a popular presumption that, as Ferris ^(1990:228) describes it, McKinsey's computer-based financial systems would 'make budgets more accurate and accessible', and that the BBC's administration, which Anthony Jay ^(1987, 2nd edition: 19) likened to 'the democratic centralism of the Kremlin', would be reformed.

In the wake of decentralisation to the product divisions, certain overdue changes could take place regarding what Lord Hill had wanted when he invited McKinsey in to the BBC: 'the effective and economic use of available resources' ^(Hill, 1974:11 and Briggs 1995:726). One of these involved the rationalisation of radio production so that some of its problems of over-supply were tackled ^(Briggs, 1995: 734 and 741). This was achieved in accordance with the policy set out in the document, 'Broadcasting in the Seventies', whose publication in July 1969 caused a storm of protest ^(Briggs, 1995:758). Burns ^(1977:160) recorded staff reaction to the policy which brought in Radios 1, 2, 3 and 4 and established new network centres at Bristol, Birmingham and Manchester as being : 'traumatic ... the organisation didn't behave in a benevolent way ... it turned round and said, 'This is the change - Bang!''.

BBC television had not reached the stage of over-production that McKinsey had diagnosed in BBC radio. On the contrary, television was entering 'the mass production phase', as Huw Wheldon, the newly created Managing Director of Network Television described it ^(Bakewell and Garnham 1970: 208). This expansion required the accumulation of resources, part of the process BBC radio had already endured, and which Chandler ^(1962:395) categorised as 'resources accumulated, resources rationalized, resources expanded, and then once again, resources rationalized.' Jay ^(1987, 2nd edition:19-21) had had experience of working in BBC Television in the 1960's and described it as a 'Frankish organisation', (quoting Machiavelli), where the king is one of an ancient body of lords, rather than a 'Turkish organisation' with only one lord in control:-

(in) 'the Frankish organisation, it is much easier to take over the top position but much harder to achieve anything when you reach it ... (for example at the BBC) all the programmes of any consequence were produced by four great departments, Drama, Talks, Light Entertainment and Outside Broadcasts. They were four powerful baronies ... there had been all sorts of convulsions in the central government ... it was the continuity of the barons that smoothed out these convulsions; but according to Machiavelli, the new rulers must have found it difficult to exercise much control over the actual domains of the barons - the content and quality of the programmes they produced.'

Another producer, Ian Martin, who, like Jay, had spent some time at the BBC in the 1960's, echoed these comments, saying ^(Bakewell and Garnham, 1970:151) 'the only way to get effective programmes inside a structure like the BBC is to have lots of little kingdoms, even if there's a certain amount of duplicating and mutual antagonism.' McKinsey, according to Garnham ^(Bakewell and Garnham, 1970:207) had been baffled by the BBC with its 1,500 to 2,000 decision makers, and had designed a structure with fifteen decision makers instead. These were recalled by Cregeen and Smith ^(interviewees: Appendix Four) as being people at the top of the 'fifteen pyramids' within which the policy of 'referral upwards' was enshrined, in an effort by senior management to impose stricter editorial, as well as financial control, on BBC programme makers.

The McKinsey reforms' relevance to Producer Choice was more a matter of financial than of editorial management, although both were concerned with 'accountability', as the incoming director general in 1970, Charles Curran described it ^(quoted in Bakewell and Garnham, 1970:207). Michael Checkland, Chief Accountant in Central Finance Services in 1969 had seen the McKinsey report in 1968, and as part of the devolution of finance to the product divisions, he became Chief Accountant in Network Television in 1971. He described his part in the reforms as follows ^(Checkland, 1994:tape # 1- paraphrased) :-

McKinsey talked about a system of decisions whereby if you saved on cash you could spend it on fixed resources ... you didn't have an outside market of available resources ... but the total costing concept of McKinsey's was that you produced a budget of cash for artists' fees and all that and you'd give producers the cost of studios, the cost of film, and the right to spend it. ... I took the decision to make the resource/cash split because I was very concerned about any saving on fixed costs being put straight away into cash, and the outflow of cash that that would create, so I held back... you had a total costs system with programme budget estimates and what John Birt always describes as a command planning structure - strong programme planning ... later on in the 1970's, I took charge of this as part of my job.

The essence of the strong programme planning structure was to protect a resource base, which would always enjoy sufficient investment to remain at the forefront of broadcasting technology, and which would, as part of a monopoly, only have to face competition on the margin (i.e. that point where demand exceeded supply and the BBC had to seek outside resources to fulfil production requirements, such as film editing, studio rehearsal space, or the hire of lighting equipment). The fixed costs of production were not to be translated into cash. The total costing system could be seen to have been part of the application of 'managerial detergent' (Burns, 1977:230) noted above. 'Devolution to the point of accountability' (Curran quoted in Bakewell and Garnham, 1970:207) descended as far as the Managing Directors of the product divisions, and their Finance Directors, but it failed to descend as far as BBC producers and programme editors. As Anthony Smith (interviewee: *Appendix Four*) describes it:

the total costing envisaged by McKinsey did not happen. As editor of 24 HOURS, for example, I was given a total costing sheet but one then had to negotiate with the Current Affairs resources manager, and with the Ealing Film Department, who provided the resources I needed ... McKinsey introduced a new vocabulary of managerialism, but little else was felt at producer level.

There is insufficient available evidence about the McKinsey recommendations to determine whether or not they addressed the practice of incremental budgeting, as opposed to zero based budgeting (ZBB). There is no doubt, however, that only the variable costs appeared as cash on a 'DBE' (departmental budget estimate) while the fixed costs appeared as so many days of resource utilisation. Furthermore, the DBE system was opaque: 'No-one jointly signed off on a budget' but nevertheless, 'when the budget has been agreed, the resources will be provided' (Anderson : *Appendix Four*). Senior management's attitude to total costing was cavalier - 'we'll put the new systems in and if they don't work we'll throw them out' (Unnamed Interviewee : *Appendix Four*). Cost control was achieved by incremental enhancements and savings, described to the Director General, Charles Curran, in 1970, (Bakewell and Garnham, 1970:217) by Huw Wheldon, Managing Director of the Television Service, as follows:

'On programme funds, I shall add so much, as usual, in order to maintain the standard, and then I shall require my people right across the service to make a general saving.'

The pattern of implying an increased budget ('I shall add so much'...) and then demanding cuts ('a general saving') was entrenched at the BBC. 'Giving with one hand' and 'taking away with the other' was how many people described this frustrating practice. It contributed to a mood of disillusion, just as the total costing system did when it was introduced in the way described by Anthony Smith on the preceding page.

The multi-divisional structure advocated by Chandler ^(1962:10 and see above, Figure 4.2) and implemented by the BBC as part of the McKinsey reforms, was explored in another U.S. management text : *Corporate Control and Business Behaviour. An Inquiry into the Effects of Organisation Form on Enterprise Behaviour* ^(Williamson,1970). Its author, Oliver Williamson, compared the multi-divisional or 'M-form', with the unitary structure of hierarchy called 'U-form', and argued that transaction costs could better be controlled within the 'M-form' rather than the 'U-form'. As Williamson later described it, 'transaction cost economics' is 'an unfolding perspective' ^(Williamson,1992). During the twentieth century, the trend, as exemplified by large U.S. corporations, has been to move away from the U-form towards the M-form. The BBC mimicked this trend, entering in the 1970's what Huw Wheldon called 'the world of mass production' ^(Bakewell and Garnham 1970: 208). However, the 1980's saw the emergence of a possible alternative to mass production, 'flexible specialisation' ^(Piore and Sabel, 1984), and it could be argued ^(see, for example, Barnatt and Starkey, 1994) that television too would leave behind the M-form structure. But this is to take too simplistic a view of the evolving nature of television and radio production where mass production and flexible specialisation were not mutually exclusive ^(see in particular Frank Muir quoted in Bakewell and Garnham. 1970:67). Production entities, be they BBC departments or 'small firm' ^(Williamson, 1970:158) independent producers, could choose to behave as a series of networking villages, rather than a monolith, so long as there was 'freedom to fail' - i.e. the latitude within the overall programme budget to leave inferior product unused on the shelf, rather than broadcast it, in its inadequate state, because its costs had already been incurred and could only be written off after transmission.

The concept of networking villages might have been taken up by McKinsey in 1968 when invited in to the BBC, had the concept been fashionable as it was later to

become^(see Hastings, 1993 and unnamed interviewee: *Appendix Four*), but it was not. The concept of the BBC as a large organisation remained unchallenged, despite the general acknowledgement that 'a giant organisation and individual creativity are unhappy bedfellows'^(Bakewell and Garnham 1970:38). As Williamson^(1970:158) pointed out at the time, the M-form has certain disadvantages in comparison with small enterprises:

Organisation form may be less decisive here than mere size. The difficulties which the M-form structure experiences are endemic to large organisations quite generally: bureaucratic commitment compounded by ex post access to large resources commonly results in a tendency to persist beyond judicious cutoff limits. A decision to proceed easily becomes a commitment to succeed, whatever the costs. Although error admission may also be difficult in the small firm, its inertial qualities are fewer and the latitude needed to delay response is apt to be lacking.

The two main contributions from Williamson⁽¹⁹⁷⁰⁾ regarding an evaluation of the McKinsey reforms are as follows. Firstly, the M-form was deemed by McKinsey to be appropriate for the BBC because it was a large and growing organisation whose activities needed to be managed through product divisions, which were to be characterised by a hierarchy of command known within the organisation as 'pyramids'. Secondly, resources were to be allocated within the pyramids as part of a centralised planning system despite the evidence quoted in the preceding paragraph of the shortcomings of 'bureaucratic commitment' in large organisations. There was no market mechanism to determine who secured access to the greatest resources.

Any advantages a small firm might have were irrelevant as far as the BBC was concerned, because it was a public sector monopoly, subject to almost no market pressure. Its customers could choose only to watch or listen to the alternative, privately funded, broadcasters, but such action would not influence in the short term the BBC's access to public funding. The certainty of access to such funding could be seen to be bred of arrogance, or it could be evidence of the public's, and the government's, overall satisfaction with the BBC, in the light of the available data. Maintaining the 'mysterious'^(Burns, 1970:230) quality of the McKinsey reforms, and the opacity of finance systems when computerised budgeting was in its infancy, were useful devices of protection by senior management from the scrutiny by government-appointed auditors, or by commercial rivals, of exactly how the BBC spent its money.

Burns ⁽¹⁹⁷⁷⁾ was as much a victim of secrecy about how the BBC spent its money as anyone else working there in the 1960's and 1970's when he conducted his research. Reed notes ^(1989 :37) that Burns uncovered at the BBC:

the complex processes whereby rational control systems are distorted by the long-term substantive conflicts within management over access to resources that will critically affect the future direction of organisational development.

The McKinsey reforms can be seen to represent one of these rational control systems, linked, as has been described above, with the multi-divisional structure advocated by Chandler, and the M-form advocated by Williamson. Chandler recognised the inexorable cycle of resource rationalisation, followed by resource expansion. Williamson ^(1975:31-33) acknowledged that hierarchy had certain advantages over coordination through market exchange, because its transaction costs could be lower than those incurred through market coordination which were subject to rising costs occasioned by opportunism, bounded rationality and asset specificity. The Chandlerian and Williamsonian structures, and by implication, the McKinsey reforms, could be described as 'technicist' at the institutional level, and 'political' at the organisational level within Reed's 'social practice framework' ^(see above, part four of chapter three).

The next section of this chapter considers the organisational outcomes in the 1980's which can be associated with the McKinsey reforms. Producer Choice represented a new rational control system, not just in response to the behavioural, organisational and institutional trends of the times, but also because the McKinsey reforms had become subject to goal displacement.

Part Four : Goal Displacement in the 1980's

Pyramids of control were installed at the BBC as a result of the McKinsey reforms. They were intended to provide a measure of accountability that the unitary structure, prior to the McKinsey reforms, had obscured. The structural change could be seen to have happened, but only at the most senior level of the BBC could it be said that the strategy of being more accountable had been fulfilled by the imposition of the new structure. The main reason for the failure of accountability at the organisational level was because the financial transactions of the BBC remained opaque. At the behavioural level, the BBC was still a bureaucracy operating a central command planning system. There was little reason for staff to connect with the organisational objective of becoming more accountable. There were dysfunctions at all levels affecting the perception of how well the BBC was performing. They then contributed to a belief at all levels that the BBC was underperforming.

As Seglow ^(1983:162-3) notes,

costs were rising rapidly in the 1970's and yet it would be several years before ownership of colour sets which attracted a higher licence fee would make a significant contribution to the BBC's revenue position ... the economy campaign (associated with the McKinsey reforms) resulted in an attempt to trim culturally defined expectations to new, budgetary standards and senior staff became more remote ... a new and growing group of professional administrators emerged who consequently increased the social and physical distance (between senior and junior managers), and introduced increasingly more complex and cumbersome administrative procedures.

The product divisions, themselves, had become corrupted in the manner described by Williamson ^(1970: 158): 'a tendency to persist beyond judicious cut-off limits', and the layers of management within the pyramids proliferated.

Although the structure of the BBC can be interrogated via Chandler and Williamson, as has been done in the preceding section of this chapter, it is Merton ^(1938 a and b) who provides the sociological underpinning for the processes through which organisational objectives become corrupted by goal displacement. Merton ^(1938 b:193) describes a 'typology of adaptive behaviour' (such as 'ritualism' and 'retreatism') to explain why organisational goals become displaced, and, 'innovation' which can explain why

organisational goals within a bureaucracy are achieved, despite the failure to utilise the official 'rules' or organisational 'means'. Merton's work ^(1938 a :253-4) on 'trained incapacity' describes the psychological and sociological attributes that converge in 'the bureaucratic virtuoso who never forgets a single rule', and he argues that the trait is derived from the structure of bureaucracy itself. Merton goes on ^(1938 a: 255-6) to comment that vested interests oppose any new order which either eliminates or at least makes uncertain the advantages of the current arrangements. The vested interests are resistant to change, because of self interest in terms of job security, and in terms of the bureaucrat's pride of craft in current procedures which can be exalted to a '*process of sanctification*' (Merton's emphasis, and see above, part one chapter two) by which the procedures become goals in themselves.

The BBC continued to innovate in broadcasting despite the proliferation of the layers of management associated with the McKinsey reforms. The BBC achieved these levels of innovation because it was a bureaucracy where freedom to fail was permitted, the rules could be ignored by the innovators, under the protection of the 'Frankish barons' (Jay. 1987, 2nd edition:19-21) and the rising revenue path from additional colour tv licence fees protected the senior managers from too much scrutiny by the government's auditors as to where the money was being spent. 'Size and creativity' were still 'unhappy bedfellows' (Bakewell and Gamham 1970:38), but the alternative of using small firm producers was not a realistic proposition until the growth of Channel 4 and satellite broadcasters in the mid-80's. As Anthony Smith ^(Appendix Four) described it:

The BBC continued to operate as a well-run bureaucracy, adjusting itself from time to time to prevailing enterprise orthodoxies. ... Ultimately [regarding decision-making being referred upwards] the bureaucratic necessity eliminated the private conscience of the producer.

The evidence of goal displacement at the BBC in the 1980's is plentiful. The planning department for each product division housed resource, finance and transmission planning, each negotiating with output departments to get the best deal for the programme controllers. Utilising the resources became a goal in itself. The monopoly power of the BBC was protected by a refusal to disclose more than the minimum of financial detail of programme cost. Producers' accountability as programme makers

was denied by the need for secrecy, by the prevailing senior management view that 'if you give them the money, they will only spend it' (see Aaronovitch, Orr and 'unnamed' in *Appendix Four*) and by the compliance of producers that Anthony Smith (quoted in preceding paragraph) referred to as 'bureaucratic necessity', and that Merton might have called 'trained incapacity'.

Michael Checkland, Chief Accountant in the product division, Network Television, was adamant that programme planning delivered an effective service until at least the mid-1980's. He defended his accounting procedures by saying (Checkland 1994: tape #1,4) :

We knew precisely how money was spent and ... where everything went. But we did decide that it was not worthwhile charging everything across the BBC in a highly complicated series of market transactions which we believed wouldn't, at that time, create savings. We could get through in different ways, and I believe that was the right choice; I think it was right to change attitudes by the time we got to the 80's.

Geraint Stanley-Davis, Managing Director of Regional Broadcasting (another product division added in 1987) put it slightly differently in *Management Today*, (Foster, 1988) :

It's not simply good enough these days, as it was in the old days, to say if the programme was good, it didn't really matter whether it overspent or not. There was always money coming in.

The balance of preferring the objective of delivering quality programmes over that of delivering value for money shifted in the mid 1980's because the certainty of the money flow was brought into question again, just as it had been in the mid 1960's. The Thatcher Government made it plain that the BBC could not anticipate automatic increases in the licence fee; indeed it was frozen for three years (see *Appendix One* November 1986 entry). In response to competition from new entrants, the BBC had expanded its television schedules and its radio stations, but was now finding that excessively rising television costs in areas such as talent and rights could only be contained by placing a downward pressure on budgets for many other programmes. In July 1985 there was a financial crisis at the BBC provoked by the announcement of a licence fee of £58 (colour) as opposed to the requested and anticipated £65 (colour) fee. The BBC tackled the crisis by announcing in their 'Priorities for the Future' policy statement that the BBC's Home Services' headcount would have to be reduced from 25,000 to 21,000. The methods to be used would include contracting out non-essential services

and retaining a permanent staff of only 75% of the whole. Michael Checkland had been appointed Deputy Director General in May 1985 and he was convinced ^(see Checkland, 1994) that these measures were necessary.

The evidence at the institutional level, that privatisation and the introduction of market structures could remove some of the wastage inherent in bureaucracies' goal displacement and trained incapacity, was becoming compelling by the mid-1980's when 'Priorities for the Future' was written. The trade union representing craft personnel at the BBC, BETA, opposed 'Priorities for the Future' (PFF), because of this type of evidence that posed a direct threat to job security at the BBC. Their 1985 campaign opposing PFF quoted evidence from early 1980's privatisation programmes such as British Ports (workforce cut by 14%), British Airways (23,000 jobs lost since 1981), and British Telecom (165,000 jobs lost since 1982). The BETA campaign to oppose the '4,000 job cuts' implied in the headcount reduction from 25,000 to 21,000 was subject, typically, to goal displacement. The union's objectives were unclear, confusing protection of inhouse jobs in engineering, cleaning and catering with a campaign against privatisation which failed to take off, and the BBC managers charged with handling union negotiations indulged in ritualism and retreatism, and in the process of sanctification ^(Merton, 1938 a and b). Another description of handling Personnel matters, frequently used at the time, was 'wading through treacle'.

At the broader organisational level in the mid-1980's, staff were further demoralised by the appointment of the neo-liberal, Marmaduke Hussey, as Chairman of the Board of Governors in October 1986, and by the very public dismissal of director general Alasdair Milne four months later ^(see Barnett and Curry, 1994:43-48). The BBC's relationship with the government reached a low ebb because its central tenet of independence from government had been brought into question by arguments over editorial matters. The organisational objectives of impartial reporting, and of clear lines of executive responsibility had been displaced. The new Chairman picked up on the dysfunctional elements of BBC management, which he said had been reported to him on his arrival by an insider ^(Golding 1994), and began the scapegoating of the BBC's past which was so important in the later context of the Producer Choice resource management initiative:

When I joined the BBC ... it was in many ways the finest and best programme making company in the whole world and it still is. It was also, probably, the worst managed corporation in the world ... It was formed as a sort of academic civil service ethos in the 1920's. It had not changed. It was like a wonderful treasured old print ... suddenly it woke up and found itself bang in the middle of a multi-national competitive business. That was a terrible culture shock.

Without dwelling on the personalities involved, the statement from the chairman is indicative of his perception of the BBC being confused about its public role as an upholder of a certain ethos which was at odds with its business environment. In Merton's 'typology of adaptive behaviour' ^(1938 b:193) those who are 'conformers' best realise organisational ends using institutional means, but if there is uncertainty about these ends, then even those conformers will have difficulty contributing to an effective organisation. Marmaduke Hussey was as keen as his predecessor, Lord Hill, to see change happen at the BBC, but his sensitivity to staff concerns was in doubt from the moment he arrived, both because of his patrician status, and his support of Rupert Murdoch's anti-trade union measures at the Times Newspapers group.

During the 1970's and 1980's the strategy of enhanced accountability through product divisions that owned their own resources had been diverted because of goal displacement. The culture of the BBC did not appear to have changed. As Hussey commented, ^(quoted in preceding paragraph), change was a 'culture shock'. Burns ^(1977:87-97) has shown how conflict was institutionalised at the BBC ^(reference quoted at length in chapter three, p.42). As is described in chapter five below, the implementation of Producer Choice proceeded without affecting the underlying culture of the BBC until the arrival of a new Director General, John Birt, in January 1993. He provoked the sort of crisis that many observers of organisational change ^(e.g. Crozier, 1964:198, March and Olsen 89:107, Pettigrew, 1985:xix, Ferlie, 1993:77, Meekings, 1995:7) conclude is essential if change is to be forced through organisations such as the BBC which are highly susceptible to goal displacement.

When Michael Checkland was appointed Director General of the BBC in 1987 he was a compromise candidate - indicative, again of goal displacement, and also indicative of a climate of opinion which reflected the need for conciliation after the acrimonious dismissal of his predecessor, Alasdair Milne ^(see Barnett and Curry, 1994:43-48). Checkland was

determined to make the BBC a 'more open organisation in every sort of way' (Checkland, 1994 tape # 1,13). This commitment to being 'more open' would involve changes to the centralised resource planning system that he had introduced, but these changes would not be hastily made. As he said: 'I believe in the evolutionary management of change' (Checkland, 1994 tape # 2, 11). From the institutional perspective of the survival of the BBC, Checkland's evolutionary strategy was necessary in the short term, but the long term consequence of his approach was that he would be deemed to be part of the problem, rather than part of the solution, to the BBC's underlying inability to reform without crisis.

Part Five : The Advent of Producer Choice

The BBC had been subjected to an external investigation under Professor Peacock at the time of the final months of Alasdair Milne's tenure as Director General. Published in 1986 ^(Home Office, 1986), it concluded that the BBC should not carry advertising but it recommended that a quota of independent producers' work should be shown on all terrestrial television channels ^(see part two p.58 above). Peacock noted ^(Home Office, 1986: 121-3) the BBC's reluctance to use the government recommended Performance Indicators (PI's), observed the cost advantages of independent producers' work, and commented, in paragraph 536, that 'the process of budgeting for the BBC's "needs" and the monitoring of its use of its funds seem to be of the crudest kind'. The problem with PI's ^(see Burningham, 1990. Cave Kogan and Smith,1990 and Pollitt . 1990a) was that they were suspect, as a measurement tool, as far as those critical of the government were concerned, and unproven, as far as other less critical stakeholders in the BBC's future were concerned. The political skills of the BBC's defenders managed to deflect much of Peacock's conclusions, in the manner of a 'well-run bureaucracy' ^(Smith : *Appendix Four*), but the Broadcasting Act of 1990 confirmed, to paraphrase Ferris ^(1990:254), that 'the enemy was at the gate' - competition would be forced in to the BBC.

The appointment of Michael Checkland (a former BBC Chief Accountant) as Director General in 1987 was a symbol of the recognition by the Board of Governors of the need to have better answers prepared when the next government audit took place. Checkland ⁽¹⁹⁹⁴⁾ disputes the notion that the BBC dances to the government's tune, but his comments concern the micro organisational level of managing the BBC, not the macro institutional level of responding to the prevailing preference for markets rather than hierarchies, or job losses rather than job gains. As Barnett and Curry ^(1994:107) point out, there were senior managers at the BBC who thought that 'organisations that had not experienced internal changes for a few years tended to have too many people working for them.'

Almost immediately on his appointment, Checkland implemented the savings recommendations of the 1985 'Black Spot' committee which he had chaired, so that

catering, security, building maintenance and many engineering functions were outsourced. The BETA union officer, Tony Lennon, recalls the outsourcing as 'the first wave of cuts' and describes them as 'threads of the tapestry which led to Producer Choice' (Lennon: *Appendix Four*). He also recalls that Michael Checkland's dealings with the broadcasting unions were 'decent and humane' and that Checkland was quite clear in his discussions with them that 'the BBC must genuinely achieve savings', and 'it must be seen to be doing the right thing by the government.' Another thread of the tapestry was the 1990 Phillips Review, named after its chairman, Director of Finance, Ian Phillips, who had joined the BBC from British Rail in 1987 (see Barnett and Curry, 1994:107). The Phillips Review worked on the assumption that the licence fee would remain index linked. However, the review also assumed that costs would continue to rise 1.5% above that index linkage, and recommended that further savings of £75 million be made over three years. The recommendations were accepted, adding further to fears of job cuts and loss of programme quality. The evidence of headcount reductions is that they were not as great as feared. For example, the average headcount in 1990/91 for the Home Services was 23,787, a drop of less than 5% from the figure of 25,000 which PFF said in 1985 should drop to 21,000. The evidence of loss of programme quality is extremely difficult to measure and highly subjective, as the discussion (above, p.76) connected with *The Peacock Report* (Home Office, 1986) has already noted.

Checkland continued to press on with the spirit of the McKinsey reforms, by creating further autonomous directorates and promising to devolve all budgetary control to them. The product divisions/directorates consolidated in 1987 are shown below :

Network Television	Network Radio	News & Current Affairs (bi-media)	Regions (bi-media)	External Services (World Service)
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Figure 4.3: Output Directorates, 1987-1993

These output directorates were supported by a further four directorates: Engineering, Personnel, Finance and Corporate Affairs; and by a strengthened commercial arm, designed to bring in maximum revenue: BBC Enterprises (see Foster, 1988).

The ten-year reverse chronology ^(Appendix One) which takes as its starting point the Black Spot Committee of 1985 indicates that the first departments to control the full budgets for their programmes were within News & Current Affairs, in 1988. Checkland's endorsement of ZBB came in the same year. The Engineering Directorate moved to full trading and cost recovering in 1989. In the same year, World Service (formerly known as External Services) started to prepare for what they presciently called 'User Choice' but there was no external market in which its Foreign & Commonwealth Office grant could have been spent.

It was the notion of spending money outside of the BBC that separated Producer Choice from its evolutionary antecedent, devolution of budgets. Producer Choice was launched as a television resource management initiative following a pilot in Television Film Services in April 1991, ^(see Appendix One) which Cliff Taylor, Director of Network Television Resources set up after approval from Michael Checkland to 'open up the market' ^(Taylor: Appendix Four). Credited with selecting the attribution 'Producer Choice' to the initiative, Cliff Taylor describes its origin as deriving from the Cobham Committees which had been asked (inter alia) to devise a strategy to achieve the 25% quota of independent productions by January 1993, to establish the real costs of a television programme, and to report on the feasibility studies ^(see 4.2.2, p.60). Peter Cregeen, appointed Head of Drama Series in Network Television in 1989 from Thames Television, attended a Cobham conference, ^(Cregeen: Appendix Four) and was asked to lead the study on drama to try and get 15% out of its costs' base. One of the things that most surprised him was the discovery that drama design resources were loaded on to the Resource Plan before even the producer had been appointed:

We said, this is totally crazy, this is an internal resource - we should be the ones to decide how to use it, and...to know how much it costs via weekly reporting, as our competitor producers in ITV are starting to do.

Cliff Taylor ^(Appendix Four) was sympathetic to the view expressed by all the producers on the feasibility studies in drama, light entertainment and factual programme areas, that 'one stop shopping isn't fair'; he also acknowledged the evidence he had sought from ITV companies, and from public service broadcasters in Holland and in New Zealand, that separating production units from resource units delivered efficiency savings, but

he was in charge of Network Television's resources, and knew that he had a vested interest in protecting their power base. As a close colleague of Checkland, and his successor as Director of Resources, Taylor had joined the BBC from the National Coal Board many years earlier. He had come to realise that there would have to be a different relationship between BBC programme departments and BBC resource units if they were to be able to compete with independent producers, and their resource suppliers. 'Indes', as independent producers were known, were now receiving the support of a government-imposed quota to get their television programmes on air. Taylor did not resist marketisation of the departments he controlled, but he thought that the 'producer choice' initiative which his work had helped to inspire, should not go beyond Network Television. When the Television Film Services pilot had been introduced in April 1991, for example, there was a variety of external suppliers available for producers to select on the basis of cost and quality, instead of using the internal resource. Taylor expressed doubts as to whether in other areas of production there would be a similar variety of available external resource suppliers. A different political interpretation of the resource management initiatives that Network Television had endorsed might be that their advocates had seen many change programmes come and go at the BBC, such as the late 1980's Phillips Review and the Cobham Committees, and they had always ensured that the initiatives did not 'penetrate the walls of production departments and controller power.' (unnamed interviewee : *Appendix Four*)

With the benefit of hindsight, the development of Producer Choice beyond the scope of Network Television can be interpreted, as critics of John Birt would say, as evidence of the 'Grand Design' (see above, *Fig. 4.1*) not just to ensure Charter Renewal, but also to seize control over the biggest spending directorate, Network Television, by reducing its power, and to assure the succession of John Birt as Director General (see July 1991 entry : *Appendix One*) . Those who worked on the design of the Trading System at the time would deny this. Producer Choice was designed to 'open up the market', in Michael Checkland's words (see Checkland 1994 and Taylor : *Appendix Four*) . In the foreword to the Producer Choice launch document (BBC 1991:1) , Checkland used the words 'freedom' and 'responsibility'; words which Marquand (1997: 29) subsequently identified as 'keywords' - the first, for the 1980's, and the second for the 1990's; Checkland said:

Producer Choice will give BBC television producers the freedom, and responsibility of choosing whether to use internal or external production resources for programme making. The system also has some potential implications for Radio and News and Current Affairs.

The major aim of Producer Choice was to allow programme makers to set levels of resource and overheads within the BBC by virtue of the decisions they would take, after the system 'went live' (a common expression from Project Management which the consultants, Coopers, used in all the documentation concerning milestones, task lists etc.). Before 'going live', however, these levels would be set realistically, via the Resources Reviews which John Birt had been asked by Michael Checkland to orchestrate. The rumours were that 40% of the resource base would be cut. The progress of these reviews is described in detail in part two of chapter five below.

At the time of the October 1991 launch, Producer Choice was broadly welcomed at the junior management level of BBC producers, particularly those who had experience of the outside market and its less regulated approach to pay and conditions of service, compared with BBC procedures (see in particular Cregeen and 'unnamed' interviews: *Appendix One*). BBC resource suppliers, at the same organisational level, were not enthused by the prospect of Producer Choice, precisely because of this comparison with customer / supplier behaviour in the external market (see in particular Barnett and Curry, 1994:184). However, it was acknowledged that spare capacity could be sold, at the margins, to external customers. This practice had been going on for some time during the growth of the broadcasting sector in the 1980's, and as a consequence of the 1990 Broadcasting Act, which insisted that independent productions could only qualify towards the 25% quota if the use of broadcasters' facilities had not been proscribed or prescribed in some way. This was a two-edged edict, as it meant the BBC could not insist that its facilities be used by their commissioned independents.

There were to be eighteen months only from the launch of Producer Choice as an 'initiative' to its implementation as a trading system. Meanwhile, the BBC had to fund its output within the usual licence fee constraints, capped in 1991/2 at RPI less 3% (£77 colour and £25.50 b/w), occasioning further trimming from future commitments and making the attainment of the anticipated savings from Producer Choice even more

urgent. In the short term, the use of cash was at a premium. So long as cash was needed to pay for resources which had not yet been discontinued as a consequence of BBC producers' actions, producers' empowerment remained a chimera. This problem of moving to a cash economy was usually referred to as 'double spend' (see Glossary).

Nevertheless, the changes in programme funding outlined in the launch document (BBC 1991:3) did exemplify the 'management philosophy' (see above, Fig. 4.1) of **choice** about where producers should spend the programme funds, and **competition** in the marketplace for access to those funds. *Figure 4.4* below is adapted from the launch document (BBC, 1991:3)

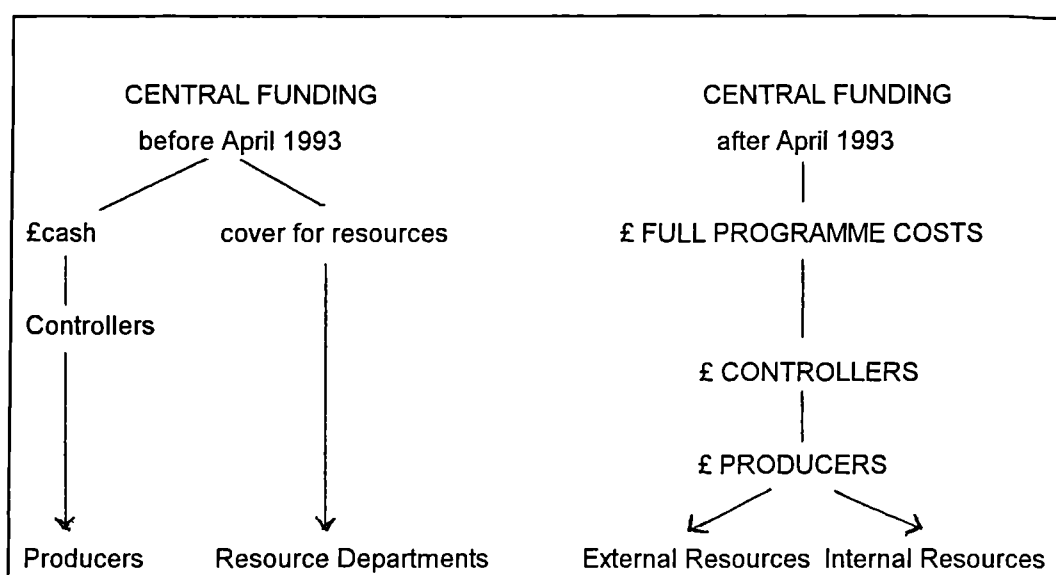


Figure 4.4: Money Flow before and after Producer Choice, launched in April 1993

In the Producer Choice Guidelines (BBC 1993a: insert 3) an outline was presented of what the new trading system would mean for the BBC:

Organisationally ... developing a more decentralised structure - with units which trade with one another, trade with the outside world, and are linked together by formal agreement...

Financially ... becoming transparent with the costs of each of its main activities - programme-making, production resources, support services, and transmission - open to comparison with external equivalents...

Operationally ... increasingly functioning as a mixed economy, with both inhouse and external activities contributing to, and supporting, its public service purposes.

So, what did the arrival of Producer Choice actually mean? Cliff Taylor ^(Appendix Four) expressed the hope in the summer of 1993 that by the summer of 1994, Producer Choice would simply be 'the way we do things round here'. In the course of the next two years many other senior managers at the BBC said the same thing ^(see, for example, Docherty, Starks and Wyatt : Appendix Four, and McDonald, 1995). Michael Starks ^(Appendix Four) Producer Choice Director, said:

Conceptually we now operate in full costs - external versus internal spend comparisons were happening anyway with the introduction of the 25% quota, and we extended this to all directorates - working in full costs is what is different about Producer Choice. People now make external comparisons and choose whether to spend externally or internally and before they did not.

Tim Suter ^(Appendix Four) Directorate Secretary to Will Wyatt, Network Television's Managing Director from 1993 to 1995, felt that 'controller power' had been enhanced by Producer Choice at the expense of the old command economy:

The controllers have been freed from financial constraints - they've been told, here's the money, go to the sweet shop, buy what you like, go to any other shop you fancy ... The vocabulary of Producer Choice suggested unlimited freedom but in fact control from the centre is essential.

The strategic necessity of Producer Choice - to show transparency of costs so that the debate about Charter Renewal could concentrate on the quality of the BBC's public service purposes, rather than be shackled by arguments about costing - was not in doubt. But many thought, like Tim Suter quoted above, that Producer Choice was only peripherally about business procedures. They thought its real purpose was a recentralisation of strategy away from the ultimate logical consequence of devolution that led to fragmentation (on the one hand) and freedom of movement (on the other). They link this purpose with the advent of John Birt as Director General of the BBC in January 1993 ^(see chapter five, below). Certainly, under the Producer Choice Trading System, cash limits, return on capital employed (ROCE), levels of working capital, and regulation of independent commissions and of expenditure in BBC regions away from London, are all controlled from the Centre. And, as part six of this chapter below makes plain, funding is earned by bidding to deliver to an agreed strategy, although when Producer Choice arrived as a change programme in the autumn of 1991 the significance of the strategy requirements was underplayed.

David Renwick ^(Appendix Four) had worked in resource departments of the BBC as an accountant since joining the BBC from British Rail in the early 1970's. He had been Head of Finance and Costing in 1990 in the Engineering Directorate and had helped to set up Engineering Transmission as the first fully trading business unit within the BBC. He represented the Engineering Directorate on the Producer Choice Steering Group in the autumn of 1992. He took a pessimistic view of the change:

Resources had to be reduced because of the 25% quota anyway and the mechanism chosen to do this was Producer Choice. It's easier to control resource provision than idea creation - in the old days the resources were there to develop the ideas, but now you have to make a case to use them, and there's a risk they won't be there in the future.

A complete answer to the question 'what did the arrival of Producer Choice mean?' is deferred to chapter six where outcomes are discussed. For the purposes of this chapter, it is sufficient to note that the dilemmas of interpretation were indicative of the conflict which the launch of Producer Choice provoked. Trading relationships were to be underpinned by a transaction contract, and not necessarily by a longstanding partnership based on trust rather than money. The full force of this paradigm shift only became clear when, in advance of the trading system 'going live' all resource providers within the BBC were separated from their devolved product divisions, and put in to a new 'Resources' Directorate. Resources also took over the Engineering Directorate which lost its separate identity as a technological flagship of the BBC, prior to its closure in April 1995 ^(see Appendix One).

The above discussion of the advent of Producer Choice has indicated that it was intended that the trading system would settle in as an acceptable way of managing resources, and that it would be linked to programme strategy. The next section of this chapter sets out the 'component parts' of Producer Choice as described in the *Producer Choice Guidelines* ^(BBC 1993a). They represent a summary of a quasi-market that was designed primarily to cut costs, and to operate in cash, rather than in resource allocation.

Part Six : PRODUCER CHOICE - Its Component Parts

Figure 4.1 ^(above, p.56) described the Producer Choice Trading System by way of title, management philosophy, cost-cutting and grand design . The system's component parts are guided by three requirements:

- * User pays
- * User must not have to pay too much
- * User can pay cash

'User Pays'

Under Producer Choice, users of funds from the licence fee, which is routed via Corporate Finance, have to enter into a transaction contract which underpins the mechanism of the internal market. Users have to earn funding by bidding to contribute to 'an articulated and agreed programme strategy' ^(BBC 1993a :cl 1.1). John Birt placed the emphasis on programmes in his remarks at the launch of Producer Choice:

Rather than funding almost all BBC activity direct from the Centre, we will fund programmes. Programme departments and producers will hold the funds.

The euphemism of funds being given to producers who could choose how to spend them, without referring to the prescriptive strategy against which the funds would be awarded, was set in place from the very beginning of the change programme. The idea that there should be visible and operational competition in programme supply via the Producer Choice trading system was undermined by the prescriptive strategy.

The notion of 'user pays' is central to the functioning of the 'Commissioning Cycle' which replaced the 'Annual Plan', in a name change symbolic of the switch from command to market economy. From the user's point of view, with the power of fund-holding came the responsibility of paying for consumption of the funds provided for the realisation of the strategy, i.e. funds for programme output. Furthermore, interest on the finance from the Corporate Centre would ultimately be charged to the user. The funds flow within the Commissioning Cycle is shown in *Appendix Three*.

'User must not have to pay too much'

The second component part of Producer Choice is the tariff mechanism which funds the articulated and agreed programme strategy. It is described in the Guidelines as follows ^{BBC 1993a:cl. 1.1.}

The level of funding will be determined with reference to PROGRAMME TARIFFS, which will be developed for each genre and sub-genre of programme. Funding will be sufficient to cover the full costs of the programme output, including OVERHEADS, PROPERTY and CAPITAL CHARGES as well as the cost of the programme resources.

The user can always be assured that he/she is not paying too much for resources because the tariffs are devised by reference to external and internal comparators. In this sense, the 'user' includes the consumer at the end of the supply chain, i.e. each member of the audience. The tariff mechanism is reliant on the transparent exercise of market forces. Any service provider within the BBC who cannot attract sufficient business from a BBC fund holder, by way of a price negotiation, at minimum to break even on the service providers' trading forecast, is scheduled to be closed down. The system allows for a stay of execution, described as 'Over-ride' ^(BBC 1993a: cl. 5.4), of no more than six months, for corrective action to be taken so that break even can be achieved thereafter.

Setting tariffs around market prices was intended to prevent a build-up of capacity within the BBC's resource base beyond that for which producers were prepared to pay. Something that was 'nice to have' would only be purchased by a resource provider within its business plan, constructed after the process of price negotiation with fund holders, i.e. producers. Collectively, producers condition the size of the BBC's resource base on the understanding that they are paying fair market prices.

User can pay cash

Before Producer Choice, producers pursued the objective of getting resources from the Corporate Centre. After Producer Choice, the objective is to get cash, even if it then translates into using BBC resources ^(see Sparks, 1994:149). The consequences of this shift cannot be over-estimated. Each output directorate abolished resource planning, replacing it with a system of cash planning. Departmental quarterly operating

statements of what had been notionally spent against nominated codes were replaced by monthly forecasts of cash need and monthly trading accounts. Each output directorate's commissioning controllers were required to run profit and loss, and balance sheet accounts, based on the trading system 'user pays' outlined above. New costing systems which output directorates had been planning for years were adapted to handle cash transactions, as well as internal debits and credits. Accountants were appointed in departments which had hitherto relied on personnel classified as 'production associates' to perform accounting functions.

Cashflow monitoring became the means whereby the 'articulated and agreed programme strategy' was delivered to the audience via the Board of Management and the Board of Governors. The commissioning controllers could not afford to stockpile untransmitted programmes, nor could programme departments hold excessive amounts of work in progress. Before Producer Choice, the financial information systems did not necessarily reveal when a completed programme had been broadcast; after Producer Choice, the knowledge that a programme had been broadcast triggered the flow of central funding on which all output and resource departments depended - as illustrated in *Figure 4.4* above. The capacity reduction requirement of the Producer Choice Trading System ^(see *Fig 4.1* above) was achieved via the funding of transmission at prices benchmarked against internal and external comparators, and paid for in cash.

The following chapters, five and six, examine how the implementation and operation of Producer Choice involved amendments to the mechanism of the trading system which this section has outlined as a theory, rather than as a practice.

CHAPTER FIVE - THE IMPLEMENTATION OF PRODUCER CHOICE

Introduction

'Producer Choice' as a 'trading system' (PCTS) was introduced at the BBC by way of a change programme which utilised formal project management procedures ^(Turner, 1993; Clout, 1994 and Symons, 1995 and see part four pp. 47-50 of chapter three above). This chapter describes how the introduction was effected, and it evaluates the course of the change programme, utilising the contextualist / processual model outlined above ^(part four pp. 44-6 chapter three). The Producer Choice Change Programme (PCCP) is described in the following parts of this chapter, under the headings of the Producer Choice Steering Group (PCSG), the Resources Reviews, and the development of PCCP from its launch in October 1991 to its formal closing down in October 1993. The first post implementation review of the project was prepared for publication in that month ^(Clout, 1994:40), which provides the cut-off date for this chapter.

Beyond the description of how the change programme was designed, managed and modified, the chapter explores the linking themes from the contextualist / processual model of the 'politics of change' ^(Dawson, 1994:42) and the 'process of change' ^(Pettigrew 1985:37) which provide the key to understanding the twisting progress of PCCP. The model is described in graphic form above ^(Figure 3.2) where the 'politics' and 'process' of change are two of the '*Five Pointers to an Understanding of the Development of Producer Choice*'. These two dimensions have been given prominence in this chapter on PCCP because they, more than the others (i.e. 'context', 'substance' and 'outcome') capture the underlying reasons for the way in which the PCCP project was designed, managed and, most importantly, modified. Dawson ^(1994:42) describes the 'politics of change' as being:

'the political activity of consultation, negotiation, conflict and resistance, which occurs at various levels within and outside an organisation during the process of managing change'.

In Pettigrew ^(1985:36-38) : A Contextualist Approach, 'process' follows 'context', precedes 'outcome', and incorporates two levels:

the actor level: interacting, acting, reacting, responding and adapting; and the system level: emerging, elaborating, mobilising, continuing, changing, dissolving and transforming ... the theory driving these processes is based on: the human inclination to adjust social conditions to meet desired ends, and the part played by power relationships in the processes' development.

While recognising Reed's 'complex web of inter-relationships' ^(1989:20-27) between the technical, political and critical perspectives of management, this chapter concentrates on process because it is process that best explains how the Producer Choice Trading System arrived at the BBC, and in what form. Dawson and Pettigrew emphasise the political perspective of management, and the advocates of project management favour a technical perspective. These are the perspectives which feature most in this chapter. An examination of PCCP from the critical perspective is more closely related to the exploration of the outcomes of Producer Choice which is the subject of chapter six in this study.

PCCP was managed as a 'top down' initiative by a group of people who utilised the Producer Choice Steering Group (PCSG) to implement the trading system across the four licence fee funded output directorates of the Home Services of the BBC. World Service, funded by direct grant, was the fifth output directorate ^(see Figure 4.3 above). The World Service avoided the imposition of Producer Choice until April 1994 ^(see Appendix One). In the year 1992-3, ^(BBC, 1993c:79 and 82) out of licence fee income of £1,597.6 million, BBC expenditure on Homes Services' output was £1,443 million, of which 66% was spent on Network Television, 17% on Network Radio, and 17% on Regional Television and Radio; spending on NCA (News and Current Affairs) output was not separately disclosed. Senior management's view had been expressed at the time of the McKinsey reforms ^(Briggs, 1995: 731-2) that news was not a controllable commodity, and that staff and resources had to be deployed as dictated by events. NCA's special status had been enhanced when John Birt was appointed Deputy Director General in March 1987 with the brief from Director General Michael Checkland to run radio and television NCA output as a merged 'bi-media', or 'unified' Directorate ^(Barnett and Curry, 1994:83) with its own substantial budget. The Regional Directorate was also bi-media.

Reforms such as the introduction of bi-media output directorates took at least two years to implement. With Producer Choice, time was at a premium - eighteen months maximum (see Checkland, 1994, Birt 1993b, and John Smith: *Appendix Four*). Furthermore, the level of cross-directorate co-operation would be on a greater scale than had ever been attempted before at the BBC. The tensions provoked by the scope and timetable of PCCP revealed themselves at every level. In behavioural terms, the pattern of 'deny, defend, discard, adapt and internalise' (Camall 1990: 141-3) emerged over time. In organisational terms, there was conflict at PCSG level occasioned not just by confrontation between 'the logic of bureaucratic control' and 'the operational demand for coping devices' during a process of change (Reed, 1989:26) but also by endemic conflict between the 'key sub-systems' (Burns, 1981:4-10) of the 'collaborative system', based on shared values, and the 'managerial structure' based on bureaucratic systems. At the institutional level, the most striking feature of the progress of PCCP were the crises provoked by the manner of the replacement of Michael Checkland by John Birt as Director General, and John Birt's establishment of a separate directorate to manage and provide programme-making resources to the whole of the BBC, separate from the production directorates which had previously been in charge of their own resources. The creation of the separate directorate was planned in great secrecy, avoiding PCSG, in the autumn of 1992. Its subsequent semi-autonomous status (see September 1996: *Appendix One*) became a prototype for the other directorates of the BBC which were expected to put trading relationships at the core of their business activity.

Arguably, crisis is a necessary component of organisational change (Crozier, 1964:198, March and Olsen 89 :107, Pettigrew, 1985:xix, Ferlie *et al*, 1993:77, Meekings, 1995:7). The previous chapter has shown that many change initiatives at the BBC were deflected from their course by such organisational phenomena as goal displacement. Under the leadership of John Birt, Producer Choice displayed features of transformation that made it different from earlier resource management initiatives at the BBC. However, when the Producer Choice Steering Group (PCSG) first met, there was little indication that PCCP was going to be different from these earlier initiatives.

Part One

The Producer Choice Steering Group (PCSG)

The first meeting of PCSG took place at the end of August, 1991. Michael Starks (seconded from Network Radio) was the project manager of PCCP, and John Birt (Deputy Director General of the BBC) was its sponsor or 'champion' (see Turner, 1993:53). Each of the output directorates had been instructed to set up a 'Directorate Implementation Group' (DIG) and the project manager for each of these DIG's was a member of PCSG. The tasks for each DIG were prescribed by PCSG and designed by the consultants to PCSG, Coopers and Lybrand Deloitte (Coopers). *Figure 5.1* below presents PCSG in schematic form.

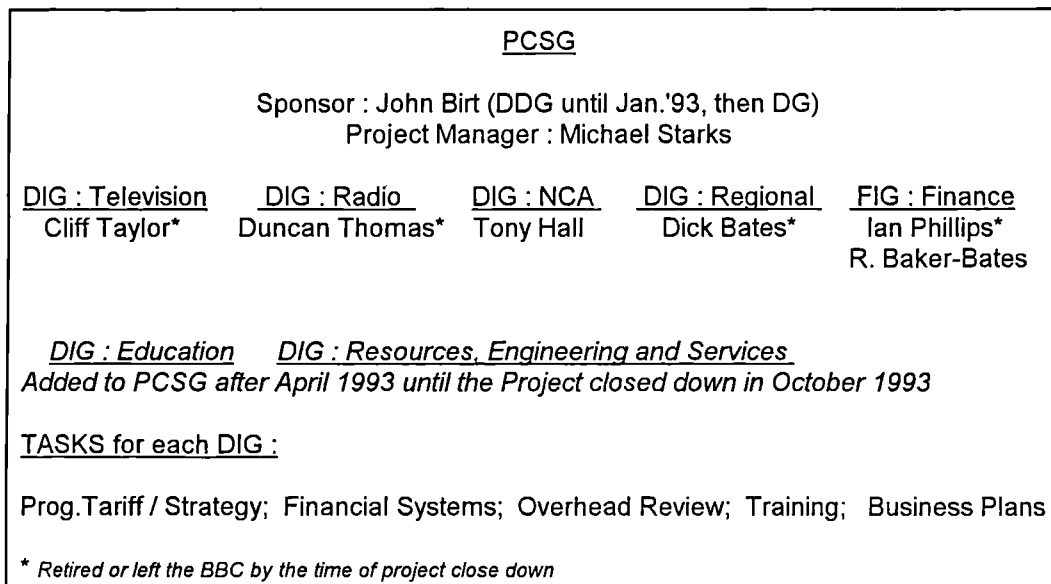


Figure 5.1 : PCSG, Directorate Implementation Groups (DIG's) and Tasks

The opening remarks from Michael Starks set the managerially adversarial context of PCSG at the outset of PCCP. He described two alternate scenarios :

'One, Producer Choice is launched this autumn and on 1st April 1993 all the IT systems are in place, overheads are reduced and capacity is set correctly; inefficient working practices are negotiated out of existence, programme makers choose to use BBC resources because of their cost and quality, capacity usage figures are impressive and the external market supplies 'top up' capacity....

Two, Producer Choice is launched this autumn; there are arguments, particularly over overheads, the IT systems don't work, Resources blame Corporate Management (especially Michael Starks!). There is deep down doom and gloom. Programme Planning says 'I told you so'. ...
The BBC is not OK, it is divided and inefficient. ^(Confidential : PCSG Minutes)

As will be shown later in this chapter, the BBC was not a united organisation when Producer Choice was implemented, but it was demonstrably more efficient. Contrary to what Michael Starks had said, division was compatible with efficiency.

After the first meeting in late August, 1991, PCSG met approximately once a fortnight to push forward the milestones of PCCP which had been determined at the outset. They are depicted below in *Figure 5.2 : Project Masterplan Summary* ^(Confidential : PCSG Minutes). There was a blithe assumption that the timetable would be met. For example, apart from 'Communication', there are no activities scheduled on the masterplan for the last month before trading, March 1993. The consultants from Coopers had been contracted to deliver PCCP on time for the launch of the Producer Choice Trading System (PCTS) on 1st April 1993, and they were confident this could be done.

PRODUCER CHOICE PROJECT	Sep- Oc91	Nov- De91	Jan- Fb92	Mar - Ap92	May - Ju.92	July - Aug92	Sept. - Oct.92	Nov. - Dec92	Jan. - Fb.93
Project Management									
* Project set up	----	X		X					
* Communication	----	-----	-----	-----	-----	-----	-----	-----	----- →
Commercial Structuring									
* Business Units	----X	-----	-----	-X	-----	-----	-----	-----	
* Comm'cial Grnd.rules	----X	-----	-----	-X-	-----	-----	-----	-----	
*Org'l Development	----	---	-----	-----	-----	-----	---	-----	
*Training		---	-----	-----	-----	-----	-----	-----	-----
*Rewards & Incentives		--			-----	--			
*Performance									
Evaluation and Review									
Cost Management									
*Cost reduction	---	-----	-----	---	-----	-----	-----	-----	
*Overhead allocation	---	-----	--X-	--	-----	-----	-----	-----	
*Capital allocation	---	-----	--X-				-----	-----	---
*Property	---	-----	--X-				-----	-----	
Infrastructure Devel't									
*Accounting	--XX	-----	---X	---					
*Systems									---
X = critical path item									

Figure 5.2 : Project Masterplan Summary, August 1991

Of the individuals interviewed for this study who were close to PCSG during the second half of its life (October 1992 - October 1993), not one considered that the timetable for implementation was realistic. Many also commented that the meetings allowed no time for debate, and the old ethos of the BBC with its 'famously communal decision-making' (Birt, 1995 and see Burns, 1977:291) was being ignored. Some resented the role of Coopers as external consultants who were closer to the 'masterplan' (Figure 5.2 above) than the project managers from each DIG. Margaret Salmon, Head of Personnel, (in Goldring, 1994) defended the use of consultants because, she said, the timescale of savings to be achieved as a result of the government's indexation of the licence fee and its capping in 1991/2 at RPI less 3%, did not allow for the BBC to implement the changes by themselves: 'we couldn't have done it in the time'. John Smith (Appendix Four) who worked for Ian Phillips, (see Figure 5.1 above), echoed these comments in the context of whether or not the Directorate Implementation Groups had been instrumental in shaping PCCP and PCTS - he acknowledged that:

As it turned out, much of the work was really done by Coopers, and it is possible that internal change agents would have been more conciliatory, and would have sought to take the people with them, but this would undoubtedly have taken longer than eighteen months, beyond April 1993.

Senior management is bound to defend the actions for which it has responsibility. In answer to a journalist's question about the way he had managed change at the BBC, John Birt (1995) replied:

I am completely unapologetic about the use of consultants' skills and experience. ... Other institutions of our size use them.

Will Wyatt, Managing Director of Network Television, interviewed in September 1995 for this study, made this unprompted comment about the use of consultants :

The scale of Producer Choice was vast, and the skills to manage the change were not there within the BBC, so consultants had to be used, but we are getting the skills now ... (Will Wyatt : Appendix Four)

From the perspective of PCSG, the only change agents of significance were Coopers because they designed PCCP and drove it through the BBC. One interviewee close to PCSG, who chose not to be named, echoed many other interviewees' views of

Coopers's role in Producer Choice, saying: 'we could not have done it without them'. Coopers were the BBC's auditors at the time of PCCP which gave them a position of authority and knowledge within the BBC that other external consultants lacked. Nevertheless, they had their critics, although only those sufficiently distanced from senior management at the BBC felt able to voice these opinions in public ^(see Michael Grade, quoted in Goldring, 1994 and Lorenz, 1993)

Just as senior managers defend their actions, so do consultants. Andrew Pettigrew and Patrick Dawson, whose work formed the basis of the contextualist / processual model being used in this study to analyse organisational change, are themselves consultants, as well as academic sociologists. Their views ^(Pettigrew, 1985: 46-50 and 477-479 in particular; and Dawson, 1994:15-23 in particular) about the role of external change agents are conditioned by this career perspective, although they do of course apply academic rigour to their work. Both Pettigrew and Dawson endorse the value of OD practitioners, but dwell on their function as part of a wider approach to the management of organisational change. Pettigrew noted ^(1985: 47) that 'in some contexts the population of OD consultants ceased to exist and the continuation of OD was left to other consultants or line managers'. This feature of organisational change was noted by Will Wyatt above. In the case of PCSG, two of the three OD practitioners from Coopers themselves joined the staff of the BBC before PCSG was closed down - one became Head of Systems within BBC Corporate Finance, and the other became Head of Radio Finance within BBC Network Radio.

Dominant coalition building was a key aspect of PCCP. As noted above ^(Figure 5.1) four of the five 'DIG/FIG' project managers on PCSG had been marginalised before PCSG was closed down. The remaining project manager, Tony Hall, was joined by new representatives from the other directorates. One of them, Rodney Baker Bates, had not previously worked for the BBC, and he was assisted by the two Coopers consultants who had by then taken up their BBC posts. 'Politics as the management of meaning' is linked conceptually with legitimising one's own views and deligitimising those of one's opponents ^(Pettigrew 1985:44). In the case of PCSG, the process of deligitimisation was ruthless. The dominant coalition represented on PCSG and

associated with Michael Checkland was replaced by a new one, associated with John Birt. This process was assisted by exogenous factors that Pettigrew ^(1985:492) comments are more likely to explain 'the growth, decline and impact of innovating groups' than 'the internal developments and strategies of those groups as such'.

The arrival of a new Director General at the BBC would be bound to involve the emergence of new dominant coalitions and the decline of older ones. The advantage to Producer Choice of Coopers managing PCSG and PCCP, to Michael Starks' instructions, was that the process of implementing the change programme and installing the new trading system could be pursued, at the organisational and behavioural level, without being deflected by the institutional conflict over the end of one director generalship of the BBC and the beginning of another which happened at the same time as PCCP. Furthermore, were this institutional conflict not to have been resolved by John Birt becoming Director General three months earlier than anticipated at the beginning of January 1993, then Coopers could have been the scapegoat, were PCTS to have been delayed or severely modified.

Another important reason for the management by Coopers of PCSG was the 'boundaries of rationality' concept ^(March and Simon, 1993, 2nd edition: 192), commonly shortened to 'bounded rationality'. The DIG project managers could only absorb, select, and disseminate a proportion of the amount of information that was produced by Coopers. Even though the timescale of tasks ^(summarised in Figure 5.2 above) was extended beyond March 1993, there was still a limit to how much could be processed. Coopers, as generators of most of the information, could process it more quickly than other representatives on PCSG. Bounded rationality had its effect on the Pettigrew 'pointer' ^(see above, Figure 3.2) of 'process - the variability in how much can be done', as much at PCSG level of activity, as at other levels of PCCP.

In terms of structure, PCSG expected the bulk of PCCP to be carried out by the DIG's or (in the case of Corporate Finance) FIG ^(see above Figure 5.1). Each DIG project manager ^(all male) was supported by his own managing director, acting as champion, in the same way as John Birt championed PCSG. This method of implementing a 'PSO' or

'People, Systems, Organisation' project follows the 'owner/contractor model' of project management methodology ^(Turner, 1993:53). It is designed to ensure 'buy-in' from the owner of the change programme (the BBC) to the project undertaken by the contractor (Coopers), and 'buy-in' from each directorate to the project to be used by the staff. PCSG monitored the PSO project in terms of 'P': the people of the organisation's competence, understanding and commitment; 'S': the systems' development of new systems and tools, and 'O': the organisation's willingness to change. The project manager of each DIG conducted the same monitoring of PCCP within his directorate and reported back to PCSG accordingly. The metaphor for the successful PSO project is that of a water fountain (change), cascading down the steps of a well-ordered garden (the organisation), and then being pumped back up, in an iterative process of symbiotic feedback. As part three of this chapter makes plain, this metaphor was not applicable to the BBC.

PCSG was supposed to ensure that Producer Choice was integrated with the overall strategic vision set for PCTS ^(see Figure 4.1 above). Each DIG handled the tactics of implementing PCCP and installing PCTS. *Figure 5.1* presents these tactics in summary form ^(and see above, part six of chapter four re the components of PCTS). In detail, each DIG had to agree and ratify:- (i) the price per genre of programme output, known as 'Programme Tariff', benchmarked for purposes of the 'Programme Strategy'; (ii) the financial systems to be used; (iii) the review of directorate overheads to establish which were needed and how their costs would be recovered ; (iv) the training and communications programme for staff; and (v) the trading business units within the directorate, and their business plans for the first year of Producer Choice trading. FIG took charge of the ongoing design of management and finance IT, plus overhead reduction and charging allocations to the business units. Michael Starks, as project manager, had overall responsibility for programme funding levels, and capital and property expenditure procedures, plus the assessment of future training need and Charter Renewal liaison. His job was to look inwards on PCCP, while his sponsor, John Birt, looked outwards.

PCSG followed the prescribed creed of project management method, but it was incapable of following the spirit of a PSO project because its proceedings were

formulaic. Despite consensus about the need for change, there was insufficient time to consider the options for change, appoint internal change agents, and allow symbiotic feedback to take place. The Project Masterplan ^(above, Figure 5.2) had been published. Coopers were committed to delivering their project on time. Even if 'process', and 'variability in how much can be done' necessitated amendments to the masterplan, the 'politics of change' ^(Figure 3.2) ensured that the emergent dominant coalition at PCSG level embraced the timetable of launching PCTS on schedule. 'Consultation, negotiation, conflict and resistance' ^(Dawson, 1994:42) took a particular form in the autumn of 1992 when it was agreed that PCTS as described in the masterplan could not go ahead without modification. The determination to launch on schedule was part of what Pettigrew ^(1985:44) describes as 'politics as the management of meaning ... a legitimisation / deligitimisation process' which incorporates key analytical concepts of 'symbolism, language, belief and myth'.

How had John Birt become so closely linked with these concepts? In institutional terms, the answer lies in the relationship between markets and hierarchies. Birt advocated marketisation, to root out the command economy and hierarchical structure that symbolised the BBC as the 'treasured old print ... bang in the middle of a multi-national competitive business' that the new chairman Marmaduke Hussey, had described ^(Goldring, 1994, and see above, chapter four, part four). In organisational terms, the answer lies in the work of the Television Resources Study (TRS) which John Birt had been asked by Michael Checkland to chair in the autumn of 1990. Its recommendations were published eight days after the launch of Producer Choice. It was the first of a number of reviews which were central to PCCP, as was its role as the purveyor of a new symbolism, language, belief and myth. The reviews demonstrated that Producer Choice would be different from other BBC change initiatives.

Part Two

The Resources Reviews

The BBC travels from one policy initiative to another, giving each a bland title, which often sounds very similar to that used in earlier or later strategy documents, such as 'Priorities for the Future' (1985) and 'Funding the Future' (1989), which arose out of the Phillips Review. The bland title is often a euphemism for something more bitter. In the case of 'Review', the word was a euphemism for cost-cutting, an essential prerequisite, and characteristic, of PCTS ^(see Figure 4.1 above). There were three major 'Reviews' (Television, Radio and Overheads) before the implementation of Producer Choice. The first of these, on television, was regarded by many as an extension of the Cobham and Phillips Reviews in 1989 which had made recommendations for savings, but had not altered the organisation's command economy. In its development, however, the Television Resources Study (TRS) became the catalyst for the internal market, PCTS. TRS also set the framework for the other Reviews. Each had a project management structure, similar to that of PCSG and the DIG's, outlined in the previous part of this chapter.

The Television Resources Review (Autumn 1990-91)

The Television Resources Review (TVR) was set up as TRS in the autumn of 1990 by Michael Checkland, who put his deputy, John Birt, in charge. Birt had recently completed the re-design of News & Current Affairs (NCA) as a unified bi-media directorate ^(see Figure 4.3 above). During this time he had earned the reputation of being an uncompromising advocate of change ^(see Aaronovitch, *Appendix Four* and Barnett and Curry, 1994:86-7 and 108-9)). TVR was asked to make recommendations on the scale and location of television resources, in view of the 25% quota of 'inde' programmes to be in place by 1993, and of the BBC's regional policy. The BBC's public service obligation to audiences across the whole of Britain was fulfilled through a series of regional production bases which supplied local programming for the slots designated as 'opt-outs' from the network schedules. To retain these bases, senior management was determined to ensure that more network schedule programmes would be made from these bases.

Michael Checkland expected TVR to tackle the issue of overcapacity in the regions that the Phillips Review had not resolved ^(Checkland 1994). Mark Oliver ^(Interviewee, Appendix Four) was appointed to TVR from the Policy and Planning Unit of the BBC. He said:

One of the outstanding issues from Phillips was the resource base. Nothing much had been done about it because you could not quantify what might be saved when you did not know what it was costing in the first place... Every time it had been looked at, it appeared as if the unit costs were low but this was probably because people were using too many units. We thought that fewer units could be used, and then capacity could be reduced.

John Birt ran the committee in his usual way - he asked for a full analysis of the current situation and of what we were going to need in five years' time, factoring in independents etc. We found that our capacity would be way above what we needed, and we found that central planning had failed. It was supposed to have managed resources, but we found that we had 130% more capacity than was needed even then. The most obvious example was Manchester. We had to make sure that demand and supply would be related to each other for the future. Also, we wanted to have more freedom and choice to go outside if it were more efficient, so we should operate in a quasi-market ourselves. But the first thing was to take out excess capacity.

The London production base had the lion's share of utilisation, largely because of user preference. Historically the BBC had added resources to its regional bases. (See, for example, following the McKinsey reforms, part three of chapter four ^(p.64) above). This was in anticipation of being given more high cost network commissions in peak time, but such commissions did not materialise in sufficient quantity. The regional resources were therefore underused. John Birt had experienced at London Weekend Television from 1982-5 ^(Docherty, 1990:168-9) the hostility of other broadcasters towards proposals he had circulated that regional production centres should deliver peak time programming to the ITV network. The hostility was generated by the broadcasters' bounded rationality, including their cultural assumptions about the superiority of London (despite its higher production costs) over, say, Manchester, Cardiff or Glasgow. It was also reported ^(Docherty 1990:170) during this time that Birt had got closer than anyone else to a total costing system for television which would allow the ITV network to propose supply side prices for the programmes each of the production bases made.

TVR recommended the enhancement of network production in the regions. It said that the label 'Centres of Programme Excellence' should be applied to each of six

network production bases outside London, and recommended that a seventh network production base be closed. The outcome of this new regional policy was to reduce London's network production to around 50% of output, increase the Regions' to 25%, with independent output remaining at 25%, spread roughly 17% in London and 8% outside of London. 'Regional proportionality' became an obligation for Heads of Departments at the BBC, running in tandem with Producer Choice; as Tim Gardam ⁽¹⁹⁹⁶⁾ described it:

You were making savings of 3-4% a year which is not impossible, and at the same time you were trying to reach a quota for regional programming, and you can't do both, though you can actually rig the figures, and pretend you can for a bit.

Although TVR was supported by finance and resource experts from London and the Regions, there were only four key players: the deputy director general, John Birt; the Business Policy Advisor, Mark Oliver; a senior partner from Coopers, Peter Hazell, and the BBC's Chief Accountant, John Smith. They planned the ground rules and visited all the production centres for the Television Resources Study (TRS) before preparing the report which was to be published immediately after the launch of Producer Choice. Smith ^(Interviewee : Appendix Four) described TRS in this way:

John Birt had an absolute vision of the need for change (and) the work on the TRS convinced him of the way to bring about change ... We went round all the regions of the BBC where television resources were in use and it was very difficult to come up with a clear inventory. The amount of analysis we had to do was phenomenal. We brainstormed People, Systems and Organisation, and determined on Market Buying and Selling.

Peter Hazell from Coopers had first met John Smith when both were working at British Rail on the privatisation programme. Both were familiar with PSO projects. John Smith said in the same interview:

The one thing I knew from my time at British Rail was that you must set your resource capacity at the right level if you are going to move to market trading; if it is set too high the resources will prove to be uncompetitive. Bob Reid at British Rail had understood this but he also said there should be gradual evolution, not revolution. ... (At the BBC) there was no time for evolution because of the urgent expiry of the Charter... John Birt's own belief that the trading system would work drove it through.

When John Birt was interviewed by Mary Goldring early in 1994 for a Channel 4 documentary ^(Goldring 1994), he defended TVR and the pace of change:

There is a real strategic need for the BBC to have a concentration of programme and craft excellence ... all that's happening at the moment is that we are reducing the size of our facilities base to bring it into line with BBC producer need.

The context of TVR was that the BBC was over resourced. The recommendation was that the resource base should be cut by 40%, but the politics of change affected this recommendation. The negotiating parties exploited the threat of 40% closure and indulged in the sort of 'substantive conflicts ... over access to resources that... critically affect the future direction of organisational development' ^(Reed, 1989 :37) already noted above in the context of the McKinsey reforms. Market trading was based on the premise that business units within the BBC would be self-financing - they would earn money by bidding successfully to make programmes whose budgets would be sufficient to cover the business units' costs, but those budgets would not be sufficient to carry the costs of excess resources and overheads. That was why the resources and overhead reviews had to trim out excess costs before those resources and overhead business units moved to market trading and self-financing in April 1993. If there were consensus over market trading, then the objective of moving towards self-financing would have been embraced by each DIG, but this consensus was lacking. There was agreement over the necessity to change, but the bureaucratic logic of reducing the cost base was confronted, first, by the necessity of coping with the consequences of cost reduction - redundancies and plant closures - and then by a series of reasons why the cost base should not be reduced too far. Over the eighteen months of PCCP and the subsequent development of PCTS over its first two years of trading, the conflict surrounding these dilemmas in the BBC was of a daunting magnitude - how far should Producer Choice follow the logic of its trading system, and how far should it be pulled back?

The progress of TVR was typical of the other reviews connected with Producer Choice - rumour fuelled the supposition that the BBC was to be changed beyond recognition and senior management 'battled for the BBC' ^(Barnett and Curry, 1994). Cliff Taylor had been confident that market trading would benefit Network Television ^{(see above, part}

five of chapter four). Michael Checkland ⁽¹⁹⁹⁴⁾ said that when Taylor described how trading would work to John Birt, 'John grabbed hold of it'. Tony Lennon ^(Interviewee : Appendix Four) of the broadcasting union, BECTU, said 'John Birt came to regard TVR as secondary to the big idea of marketisation'. Strategically, marketisation could demonstrate that the BBC was capable of change, and in driving it through, John Birt could demonstrate that he was in charge of the change, and would pursue it as an organisational objective after becoming Director General.

The recommendations of TVR, announced eight days after the launch of Producer Choice, were that three medium-sized and six small studios; five large and four medium-sized OB's and eight single camera units; four PSC/Film Crews; ten VT on-line edit suites and 61 PSC/Film Editing suites should be closed. The broadcasting union, BECTU protested to the Home Office and received a prompt reply from a broadcasting minister ^(Lloyd 1991) which demonstrated the political advantage to BBC's senior management of having announced Producer Choice before the Television Resources Review :

Producer Choice should enable true costs to be identified accurately for the first time, facilitating direct comparison with independents and encouraging cost efficiency ... The second initiative, announced on 6/11/91, and aided by external consultants, ... was prompted by the statutory requirement on domestic broadcasters to introduce 25% independent production by 1993 and by the recognition that if the BBC did not slim down its resource base it would greatly exceed its needs ... TV staffing levels will be down to 14,000 ... but the BBC will still have 14 major studios, and 14 medium or large OB units.

The alliance between Home Office and senior management at the BBC, expressed by documentation such as this, showed that the government and BBC together were confident that the resource base of the BBC would be reduced. As further reviews took place during PCCP, the scale of the cuts was pulled back ^(see Figure 5.3 overleaf), but, as John Birt described it at the Radio Academy ^(Birt, 1993b),

the BBC will still have twice the resource base of the next nineteen facilities houses in Britain put together... our massive resource base will prosper - they are cushioned from the need to make a profit and they are close to their users.

NCA & the Radio Centres of Excellence and Resources Review

When the TVR reductions were announced in November 1991 the full impact of the Proportionality/Centres of Excellence initiative in the Regions had not been assessed. Further reviews covering radio and television resources were undertaken in the Regional Broadcasting directorate and in News & Current Affairs (NCA). The scope of the cuts was revised, relieving four studios, and two of the OB units. The hypothesised 40% reduction in resources was significantly less, as the following *Figure 5.3*, amended from Clout ^(1994:31) indicates:

% Reductions in	Studios	OB Units	VT edit suites	Film edit suites
Radio	19%	35%		
News & CA	29%		15%	
Television	29%	23%	24%	47%

Figure 5.3 : Percentage Reductions in Resource Base prior to PC Implementation

It could be argued that the television resource base should have been reduced by 40%. After all, purchasing resources externally through Producer Choice was planned to utilise around 15% of resource spend each year, and the independent quota meant that 25% of the annual budget on originations (excluding news) was technically defined as external spend. Senior management pulled back from the logic of this situation, partly out of deference to staff feelings expressed in one day of strike action on 15 May, 1992, partly out of the impact on resource provision of Proportionality ^(Checkland, 1994), and finally out of the resistance of certain members of PCSG to the scale of the proposed cuts which prompted them to encourage some of their colleagues to oppose TVR. The myth that the cuts would total 40% was a powerful factor in ensuring that they would not be so great. The struggle to legitimise the new internal market and deligitimise the old command economy went on.

Network Radio was to be subject to a BBC voluntary quota of independent productions, (10% by 1996/7) and some of the radio reductions ^(see *Figure 5.3* above) were designed to take account of this target. Embracing market opportunities in radio was

thought to be another important element in the bid for Charter Renewal. By 1992 there were already over one hundred commercial radio stations and further licences were anticipated, each working in full costs, unlike BBC radio before Producer Choice. In July 1992 the BBC announced plans for a fifth radio network which were described as responding to market need, but were also a result of the NCA and the Radio Resources Reviews' assessment of the under-utilisation of available production effort. Enhancing bi-media news coverage was a further important plank of Charter Renewal.

The Centres of Excellence initiative for the regions rationalised the resource base by closing one network production centre (Elstree) and by concentrating output by genre in each centre. For example, Youth and Religious programming were concentrated in Manchester; documentary features were to come mainly from Bristol. The management philosophy of having departments competing with each other, as well as with independents, was central to PCTS (see above, *Figure 4.1*). The government and the Board of Governors of the BBC wanted to see competition in programme supply. One PCSG Minute in November 1991 (*confidential, 8/11/91*) from the BBC's legal advisor confirmed this:

The Producer Choice philosophy is in itself perfectly consistent with one of the tenets of UK competition law, namely that a firm not facing competition may drift into productive inefficiency where the wishes of the customers may be ignored, production costs may be higher than would be the case under competition and the quality of the finished product may be lower than would be the case under competition.'

The Overheads Review

The review of BBC's overheads was undertaken by the Personnel Director, Margaret Salmon, who had been appointed as the first of several outsiders associated with Producer Choice who joined the Board of Management - in her case, in 1991 from the Burton Group of companies. The results of her review were announced on the same day, 18 September 1992, as the NCA and Radio Reviews. The Director General, Michael Checkland's Briefing Paper of that date described the Review as having been designed:

to reduce the level of support services chargeable to BBC resource units... an essential step in the implementation of Producer Choice, under which our programme makers will have the freedom to use production facilities from inside or outside the BBC... The results of the review so far will provide savings of £150m over the next five years. ... (involving) the loss of 1,250 jobs... This will bring total job losses between 1986 and the end of 1993 to 7,000. With 1,000 new jobs having been created for programme developments, the net reduction over this period is 6,000.

By May 1993 another outsider had arrived, Director of Finance and Information Technology (IT), Rodney Baker-Bates, who came from the post of Group Financial Control Director, Midland Bank. He took overall responsibility for the savings being generated by Producer Choice. It had been ascertained via the Overhead Review ^(Clout 1994:17) that £295 million out of an income of £1.4 billion was non-attributable to productive activity. By the time of Baker-Bates' report to staff in May '93 ^(BBC 1993b) this figure had reduced to around £98 million. He explained this as follows:

The spending breaks down 93% into programmes (...£770 million into Television, £180 million into Radio and £180 million into NCA, £250 million into the Regions and £50 million into Education) ... and 7% goes into corporate governance and overhead, both within the centre, and in the directorates ... if we are to take it down by say 2% that's another £30 million that could go into programmes. I believe it is achievable and we are already starting to look at it very aggressively.

The iterative process of Producer Choice was to drive costs down by the sort of rationalisation that allowed £295 million to appear to reduce to £98 million in eighteen months from December 1992 to May 1993 ('moving money around') but also by the revolutionary character of the system ('continuous market testing'). Michael Starks was the main BBC spokesperson at numerous television industry events organised during the period of the change programme to publicise Producer Choice and to explain its principles. At one such event in March 1992, he had said:

Only the cost of corporate governance is ring-fenced; ... there'll be user choice for overhead services, ... savings from our property portfolio, and ... (we'll be guided by) three principles: good employer practice, no extensive sale of BBC resources outside, and regional Centres of Excellence.

In the summer of 1993, before PCSG was closed down, Michael Starks was put in charge of the continuous market testing programme, which was to help inform the decision-making processes about where money should be spent - internally or externally? In his essay in the British Film Institute's BBC Charter Review Series, *Reinventing the Organisation*, he defended the new Producer Choice method of resource allocation in the context of his definition of public service broadcasting (Starks 1993: 31, and 37).

It cannot be founded on quasi-Marxism in the modern world (p.31) ...
We have to show value for money ... each BBC operation should aim to recover its full costs but, beyond that, instead of making a profit, it should lower its costs ... The purpose is not to privatise or commercialise. It is to use the market to contribute to the realisation of public service programme purposes and to test and put under constant pressure the efficiency of the BBC's own inhouse activities (p.37).

The resources reviews inspired by the need to save money had been transformed, under John Birt's direction, into a mechanism to shrink the resource base before the introduction of Producer Choice. This differentiated them from earlier initiatives about improving the command economy because they were future orientated towards trading relationships and a new market economy. The earlier preludes to Producer Choice, the feasibility studies and zero based budgeting initiatives which were described above in part five of chapter four, could have remained within a command economy including devolution of budgets, had it been concluded that market forces would cause damage to the public service ethos that might be irreparable. Such a conclusion was not reached during the course of the reviews, but as PCCP got under way there were modifications to the system that indicated that the trading relationships might not be as independent of the old command economy as intended.

Part Three

The Producer Choice Change Programme (PCCP)

As explained above, the work on TVR had convinced the emergent dominant coalition within the senior management of the BBC that PCTS would be introduced on time in April 1993. But no-one skilled in project management, as Coopers certainly were, would pretend that the Masterplan of August 1991 (*Figure 5.2* above) had to be followed without alteration during the course of the change programme of preparing for PCTS. In his study of Producer Choice for the Major Projects Association, prepared for publication in May 1994, Peter Cloot worked with papers provided by Michael Starks, Project Director for Producer Choice; Cloot explained the reason for the eighteen month period as follows (Cloot 1994:23-24):

'The best start date in the annual cycle would be 1 April, since departmental budgets are prepared in the first quarter for operation from 1 April ... the decision was taken to make that the live date, to recognize that 100 per cent completion by then was therefore not a realistic target, and to accept the challenges this would pose ... the policy, planning and implementation phases inevitably overlapped.

That PCCP could be realised within eighteen months if certain activities were overlapped, and others postponed, was an Outcome of the Change Programme, rather than a determinant of it. It was not 'inevitable' that activities should overlap, even if looking back at PCCP with the benefit of hindsight, it appears that the scope of the undertaking was so wide-ranging that to attempt to achieve all of it in eighteen months was foolhardy. *Figure 5.2* makes plain the viability of PCCP as described, if, and it is a significant 'if, everything had gone according to plan.

To manage the detail of PCCP in a study such as this, an overview is first presented of the implications of the change programme as it affected the BBC at an institutional level. The chapter then continues with an explanation of the organisational transformation programme associated with John Birt once he became Director General of the BBC. Finally, the detail of PCCP is explained in sections dealing with the business procedures and training programme for Producer Choice.

The Progress of PCCP - An Overview

PCCP between October 1991 and January 1993 affected the BBC's image as a public service institution because its rational progress was contended and disputed.

There were two main scope limitations. The first concerned the negotiation of customer-supplier relationships which did not take place in a meaningful way because training for business planning did not begin in earnest until the summer of 1992, leaving no time for negotiation before the business plans had to be approved by the corporate centre. Furthermore, the trading guidelines ^(BBC 1993a) which set out how business procedures would work were not available to staff until March 1993. The second major limitation concerned accounting systems which were scheduled to be in place by April 1992, but in fact were delayed until February 1993 because of an overly complicated specification which eventually had to be altered so that something more user friendly could be 'shoehorned in' ^(Smith: Appendix Four). Again, this left almost no time for training except on pilot systems.

As far as each DIG was concerned, responsibility for the tactical aspects of the trading system was, as one person described it ^(Unnamed Interviewee: Appendix Four), 'head-banging time'. Resentments built up that the financial systems were inadequate for their designed purpose, and there were suspicions that the monies being allocated to business units were based on inaccurate information. Tariff modelling was being done on a historic cost basis, because the production efficiency study which would have allowed detailed benchmarking of tariff prices was postponed to 1993/4. Although productivity levels were the responsibility of each DIG, they could not be tackled in anything but a piecemeal way until Performance Evaluation and Review had entered the frame (listed but not timetabled on *Figure 5.2*), and until pay bargaining and conditions of service were handled at directorate level - negotiations for which would take at least two years ^(see Appendix One, February 1995 entry). Arguments developed around transfer pricing policies, with business units contending that they should be allowed to keep surpluses, rather than surrender them to corporate finance, the symbol of the old command economy.

PCSG reported in November 1992 that preparing programme strategies and tariffs had taken longer than planned, but planning assumptions and cash available were on course. However, external contracts, financial authorities, and management and finance information systems were all behind schedule. It was decided to simplify the management reporting requirements and postpone the introduction of interest charges on funding for at least one year.

Two particular problems emerged at this time amongst the managers in business units charged with the task of getting the corporate centre to agree their business plans for the year 1993/4, the first year of Producer Choice trading. Both were despairing, but in different ways. The first concerned the difficulty of writing plans when overhead charges, service agreement costs and capital charges were in dispute, or not known; the second was a growing realisation by those at the sharp end of implementation, i.e. the business unit managers, that 'living with choice' was not going to be possible when the BBC's borrowing limits remained fixed, and large amounts of capital were tied up, for example in equipment whose replacement could not be funded, and in property whose disposal was proving problematic during a recession.

Although the message of reform was impressing the government, it did not find favour amongst many who felt their jobs were under threat. In the autumn of 1992 both the message and the hostility to it became de-stabilised by reports of overspends in Network Television in London which appeared to total £25 million for 91/2 replicated in 92/3, making the total at least £50 million ^(Barnett & Curry, 1994: 184-5). Funding for the first year of Producer Choice, 93/4, had to be reduced, and the Finance Director, Ian Phillips, left the BBC. The level of overspend was reduced before the end of the financial year in March 1993, and some argued that it was the stringency of the new finance systems that had revealed the likely overspends in time for something to be done about them.

The incoming director general, John Birt, began the new year with an inaugural address on 11 January, entitled 'Turning Promises into Realities', and headlined as part of the *Extending Choice* ^(BBC 1992b) Charter Renewal programme. Broadcasting unions

and other opponents of marketisation had protested during the summer of 1992 that the Charter Renewal debate was deliberately being delayed while the Producer Choice change programme was rushed through. In fact, the BBC was conducting a debate within itself via fifteen Task Forces which Michael Checkland had set up in March 1991 to brainstorm the future of the BBC in a multi-channel global environment. It was a summary of these deliberations that made up *Extending Choice* (BBC, 1992b), publication of which was held up back until **after** the government's Green Paper (DNH, 1992) was finally published on 23 November. This was another carefully orchestrated public relations exercise, similar to announcing TVR cuts after launching Producer Choice in October 1991.

But the PR exercise had not been without hitches - leaked Task Force documents had influenced the industrial action in May, and they helped to fuel criticisms voiced at the Edinburgh Television Festival in late August (Thynne, 1992). Tensions at Board of Governors level were not made known, but some of them were hinted at by Michael Checkland from a Royal Television Society Conference platform in October when he indicated that he thought the Chairman would not know what the broadcasting term 'FM' stood for. Shortly afterwards, it was announced that Michael Checkland would be leaving the BBC three months earlier than anticipated at the end of December.

Producer Choice had been put under severe strain in the autumn of 1992. Delays to some of the critical path items in the project masterplan, the overspend in Network Television, and Michael Checkland's early departure before seeing the anticipated reward of Charter Renewal, had each buffeted the progress of the change programme, but it had not been steered off course. As Carnall (1990:115) points out, 'the management of change is often a matter of the management of image'. At a strategic level, Producer Choice had been successfully depicted as the means whereby the BBC would achieve efficiency savings of around £300 million, and thereby would secure Charter Renewal. This was the basis of PCSG briefings with the Department of National Heritage (DNH), the Treasury and the Department of Trade & Industry (DTI) which took place in the early autumn. There was to be no turning back.

Organisational Transformation

As John Child and Christopher Smith (Loveridge & Pitt, eds., 1990:327) point out in their study of Cadbury Ltd.: 'Organisational transformation entails both an intellectual or cognitive reframing and a material structural change'. This section on the implementation of Producer Choice concerns the structural change and the cognitive reframing which are directly associated with John Birt, rather than with Michael Checkland.

Immediately on his succession as director general of the BBC in January 1993, John Birt announced (Birt 1993a:16-18) a significant structural change - the creation of two new directorates which would start trading in April: the Education Directorate, and the Resources, Engineering & Services Directorate (See Figure 5.1 above). Although the decision to merge radio and television schools and continuing education output departments into one bi-media directorate had been discussed and agreed for some time, the decision to group all the suppliers of services to radio and television producers in a new directorate came as a complete surprise. This structural change had been kept secret, not just from the 21,400 workforce, of whom some 12,000 worked in these areas, but also from the resource directors who sat on PCSG. As Weber observed (Gerth & Wright 1948:233) .

Every bureaucracy seeks to increase the superiority of the professionally informed by keeping their knowledge and intentions secret.

If one aspect of leadership is the 'management of meaning' (Bennis 1984:15 and see Reed, 1989:77) then John Birt had displayed this as a leader in his strict control of the timing when the real nature of the trading system would be disclosed. Putting the resources of television and radio in to a bi-media directorate of suppliers, separate from the customers in the output directorates, was central to the vision of a marketised BBC. It did not surprise those who had worked in Corporate Finance on commercial structuring such as David Orr (interviewee: Appendix Four), because:

In 1992/3 Mark Lewis (from Coopers, like Rob Jenkins, who joined the staff after April 93) created a data base for Resources, so when the announcement came that they would be put into a separate directorate, it was fairly easy to split them off.

In so far as each DIG had worked on resource business plans separately from programme business plans ^(see Figure 5.1 above), the structural change did not affect the Producer Choice timetable, but it did involve 'a paradigm shift'. Peters & Waterman ^(1982:42) acknowledge Thomas Kuhn ⁽¹⁹⁷⁰⁾ author of this concept in science, but they advocate it should be recognised, also, in business:

After a paradigm shift begins, progress is fast, though fraught with tension. People get angry. New discoveries pour in ... The important point in each instance is that the old 'rationality' is eventually replaced with a new, different, and more useful one.

A trading relationship between customers and suppliers at the BBC was intended to impose a new rationality, but legitimising that rationality in organisational terms required that the people in charge of each trading directorate should be convinced of the need for change. If necessary, they should be brought in from outside. Will Wyatt ^(Appendix Four) had a clear idea of the new rationality because he had been a member of the Phillips Review and had sponsored the DIG project manager for his directorate on PCSG. He remained as Managing Director of Network Television after 'his' resources had been put into a separate directorate. He felt that programme making was at the heart of the BBC, and that the new output directorates would be able to focus entirely on that objective, rather than also being responsible for the usage rates of what he called 'the cabs on the rank'. Other managing directors, of Radio, of Worldwide (a restructured BBC Enterprises), and of the new Resources Directorate were appointed by John Birt from outside and could view the new trading arrangements without having lived, as so many did, 'in the shadow of the BBC's history' ^(Gardam, 1996).

'Intellectual or cognitive reframing' ^(Child and Smith, 1990:327), or what Mant ^(1986:40) calls 'getting at managers' cognitive map', is difficult to measure, and takes time. As one manager of television resources described it at the Network Television 1992/3 year end review:

We've gone through an avalanche of change ... Managerially, we've turned the corner, but we've got to get the staff to turn the corner also.

Living with uncertainty might have represented a challenge to those at the top of the BBC hierarchy, but it was a frightening prospect for many staff at lower levels, who were still at the denial or defence stage of the recognisable 'managing change coping cycle' (Carnall 1990:141-143). John Birt expressed some sympathy for these people when he presented his view of Producer Choice to the Royal Television Society (RTS) Cambridge Convention in September 1993 (Birt 1993c:22).

Producer Choice is a powerful locomotive. It shines a searchlight into every single corner of our activities. It is a huge change for the BBC, the biggest organisational change in its history. We are moving from a command economy to a trading economy where different parts of the BBC trade with one another and buy the programmes, the resources, and the support services they need. It is a big shock for our staff. Sadly, a fifth of them have been made redundant in recent years ... It is a tremendous adjustment too for BBC managers. In this world they need new skills, and not everybody passes their driving test first time....

Two aspects of this 'cognitive reframing' were particularly significant - the first involved scapegoating the past, and the second was an 'effectiveness project' (EP) linked explicitly to Charter Renewal (BBC 1993b). Both were complicated and subtle - evidence of a highly intellectual rationality - an appropriate fit, perhaps, for the BBC as an organisation, but not best suited to many individuals within it at the time.

Reference has already been made (see p.74) to the expression 'treasured old print' which the newly-arrived Chairman, Marmaduke Hussey, used to describe the BBC in 1986 - a prime example of scapegoating the past, although it would be unfair to suggest that this was a witting strategy on his part. The growth of references to the negative aspects of the BBC's past built up unwittingly, as it became clear that 'the status quo is not an option' - a frequently-heard rallying cry from those who had to press on with the Producer Choice change programme, like it or not, in the winter of 1992/3.

When John Birt proclaimed in 'Turning Promises into Realities' that an 'effective BBC' would be one which cleared away the obstacles of 'territorialism, red tape, ... and organisation charts criss-crossed confusingly with dotted lines' (Birt a,1993:13) there were few people around at the BBC who could disagree with this. But the arguments about new versus old guard became insidious when, for example, Birt characterised the old-

style managers as needing 'skills of supplicants at a Byzantine court where no-one knew what programmes cost' (Birt, 1993b) ; and he was opposed by, for example, Janet Daley, then columnist of *The Times*, who called the new-style managers 'all-purpose bureaucrats, ripping the imaginative heart out of the BBC' (speaking at the British Film Institute's (BFI) Commission of Enquiry into the Future of the BBC in March 1993). At the same event, more aphorisms entered the frame: 'there's a lot of turf-protecting going on' and 'don't let the inmates run the prison' (warnings from Robert Patillo, Vice President of Canadian Broadcasting Corporation, based on the changes his company had recently undergone). The blurred edges of 'them' and 'us' solidified into an Orwellian 'old BBC bad, new BBC good' . The most striking example of this is John Birt's reflections on his own career, and an application to join the BBC in 1966 (Grove, 1995).

I wonder what would have become of me if I had been accepted then as a BBC trainee? I'd probably now be a major opponent of change.

It wasn't just the entrenched old guard whom John Birt associated with the BBC general management trainee intake of the mid-1960's that tried to protect the reputation of the 'old days' - it was also members of the new managerial guard who had 'gone native' (Barnett and Curry, 1994:158) . They were anxious to protect the critical mass of the BBC, particularly from those who argued that a large scale BBC was too cumbersome to be creative in these competitive days. Advocates of a smaller BBC included two management consultants who worked with the BBC : John Harvey Jones, and Charles Handy, who at that Commission of Enquiry in March 1993 had said the BBC was still five times too big.

Mary Goldring (1994) in her interview with John Birt had the temerity to suggest that even he had been 'brainwashed by the BBC' in favour of retaining critical mass, because, she claimed, he refused to withdraw from any one service, despite the evidence she presented that the BBC would run out of money if it remained in as many areas as it currently occupied. It is perhaps worth pointing out, in the context of size, creativity and brainwashing, that the scale of job cuts of one fifth, to which John Birt referred in his speech to the RTS quoted on the preceding page, were associated with the late 1980's, and not with his own era (see Chronology, March 1995 entry : *Appendix One*) . The

management of image, however, demanded that he should be seen to be someone not afraid to reduce the headcount, even if the statistics, when reported, told a different story. For example, the statistics for the 'smaller organisation' headlined in the Director General's Review ^(BBC.1993c :57) reveal that the Headcount reductions for the BBC (excluding BBC Enterprises and the Foreign Office funded World Service) for four years, from 1989/90 to 1992/3, total only 11%.

The Effectiveness Project (EP) involved the sort of OD approach outlined, for example, in Storey ^(1992:259) and Dawson ^(1994:15). There was strong direction from above, encapsulated in what John Birt in *Turning Promises into Realities* described as 'the flywheel' ^(Birt, 1993a:11) of an effective BBC: the Annual Performance Review. This was counterbalanced by upward appraisal from the staff, assessed from such events as the *Extending Choice* ^(BBC 1992b) one-day workshops for all staff, the 'Burke-Litwin' ^(Rusbridger, 1994) staff surveys and the local 'Breakthrough' ^(Schaffer, 1988) strategies. Margaret Salmon ^(Interviewee : Appendix Four) described 'the transition of taking the BBC towards organisational effectiveness' as something that had been 'discussed and orchestrated and planned in a rigorous way in late 1992, early 1993'; she continued:

The Effectiveness Project as far as most of us are concerned was the start of a process, not the end. Producer Choice was the catalyst - one of the drivers that enabled us to put some other issues on the agenda. We needed to do a whole host of things involving BBC managers and their staff to achieve a new managerial effectiveness so that people could operate in the new world ...

Producer Choice was Phase One of a change programme - it came along and changed people's tasks; Phase Two began in January 1993 with the new Director General and the announcement of the new Resources Directorate, and Phase Three will be our response to the Digital World. This ^(BBC 1996 and Birt, 1996) has to be put in place so that we can answer the question : 'how can the BBC compete and survive?

'Scapegoating the past', and the 'Effectiveness Project' were the two key features of PCCP that can be directly linked to a new type of organisational transformation which sat uneasily beside PCCP. To a certain extent, they were examples of 'over engineering' which many interviewees for this study recognised was part of the BBC's normal response to any design project, whether it be for 'PICS', a new automated transmission system , 'NCS', a new costing system, or 'PCTS', a new trading system.

On the other hand, the appetite for **driving** change through the BBC at a relentless pace was not something Michael Checkland had espoused when he launched Producer Choice in October 1991, nor had he made it an integral part of his style of management as Director General from 1987 - 1992 (and see above, p.75). OD consultants such as Coopers, and McKinsey, had been used by him and his colleagues (Checkland, 1994) without advocating a relentless pace of change. As Director General, John Birt's appetite for change was greater than that of his predecessor, and it had differentiated him from his predecessor. This was the reputation that he had attracted during the course of TVR (see above, part two of this chapter). He defended his reputation in the following way to his peers at the Radio Academy in the summer of 1993 (Birt, 1993b):

'We need a spirit of perpetual revolution in creativity and awareness of the shifting sands of time, the changing tastes, moods, and preoccupations of the nation ... Sometimes people accuse me of pursuing managerial change as if it were some kind of end in itself. Not so. I am interested only in the processes that will deliver the best programmes.

The language many BBC staff interviewed for this study used to describe the impact of John Birt's arrival as Director General were expressions such as: 'he's trying to change the culture of the place' or 'he's trying to change the psychology of the BBC'. As mentioned above (part four of chapter three) it is tempting to conclude that PCCP can best be interpreted as BPR. *Appendix Two : Organisational Change at the BBC* sets out certain comparators between the 'social process' and 're-engineering' perspectives, informed by Burns (1977) and by the evidence gathered for this study. From examining these comparators, it is clear that the social process view of change features strongly in PCCP, and that the management of meaning is not a controllable commodity. PCCP can be compared with BPR but it cannot be described 'as BPR'. As Pollitt (1990b:24) remarks (also noted above, part four, chapter three) :

'... large organisations are usually honeycombed with different and contrasting cultures, many of which are deeply embedded in the belief systems of the staff concerned, and are unlikely to be substantially altered ... short-term.

It is to these 'contrasting cultures ... and belief systems of the staff concerned' that this chapter on PCCP now turns, as it examines the infrastructure of business procedures and training that the consultants to PCCP devised, in association with the BBC.

Business Procedures and Training

In August 1991, Coopers had planned for the 'Producer Choice Project' (see above, *Figure 5.2*) to be completed by February 1993; only the task of 'Communication' was set to continue beyond that end date. Four months later, in December 1991, a revised Critical Path Analysis was issued which showed that a 'Productivity Study' (see Symons, 1995) was to run for three months from March to June 1992, and was intended to contribute to agreement over levels of direct costs, before cost reductions were implemented in August 1992. The other aspects of PCCP as defined in *Figure 5.2* (above) were projected to be ready for completion on the published dates as follows:

- * Business Unit structuring by March 1992;
- * Commercial Ground Rules by December 1992;
- * Organisational Development by September 1992;
- * Training by February 1993;
- * Accounting Infrastructure by March 1992; and
- * Other Systems Development by January 1993.

In his opening remarks at the Producer Choice launch in October 1991, John Birt (Birt 1991:9) had linked business procedures with training in a manner designed to reassure the two hundred or so senior managers gathered to listen to him that PCCP would be adequately phased in. He promised that by April 1992, the resource functions would be organised into business units, with managers trained to work PCTS, and informed of what their capital, accommodation and overhead costs would be. In addition, the detail of PCTS would have been clarified. In the following year further training and advice (outlined below, 5.3.3.4) would be available to ensure that by April 1993 all programme making activity would have been marketised, with all business units directed to meet break-even targets. Funding would be via tariff and strategy (outlined below, 5.3.3.1), directed through business units (outlined below, 5.3.3.2), and supported by new financial systems (outlined below, 5.3.3.3). There was no mention of 'effectiveness projects' which might have cut across these operational aspects of business procedures and training. Nevertheless, as procedures and training developed, they were subject to change, as is shown below, utilising the Contextualist / Processual Model (see *Figure 3.2* above).

5.3.3.1 Programme Tariff and Strategy

In the days of the command economy, the programmes which the BBC produced were funded, once it had been agreed that they should be made. This translated into a relatively simple formula: when the budget has been approved, the money will be found. The significance of Tariff and Strategy as something different from this is as follows:

- * **tariff** (i.e. funding per genre) would be set not just according to what level, historically, programmes had cost, but also benchmarked according to 'industry best practice' (Bir 1991:5); and

- * **strategy** would be planned as output over continuously rolling five-year periods, subject to annual approval by the Board of Governors, so that the BBC's public service function could be clearly defined for its audiences and stakeholders, and could not be subject to the ebb and flow of programme controllers' whims.

Tariff and Strategy were part of the 'substance of change', (Figure 3.2 above) i.e. the new trading system, PCTS. This has been outlined above (part six of chapter four): User pays, User must not pay too much, and User can pay cash. 'Strategy' also features in *Appendix Three: Funds' Flow within the Commissioning Cycle*.

For the first year of PCTS, however, tariff was set against historic costs and estimates, rather than against benchmarked prices. This was because the Production Efficiency Study (PES), scheduled for March to June 1992, was postponed to the finance year, 1994/5 (Clood 1994:30-31). It was supposed to feed in to the direct costs which were intended to be **all** programme costs, excluding governance and transmission. Benchmarks would have been calculated in March and April 1992, in readiness for the 93/4 commissioning round. The business procedures for that commissioning round were distorted by the decision to postpone PES and to rely on existing data about the cost of programmes.

One consequence of modelling tariff according to data within the BBC's finance systems was that, for external comparisons, it was reliant on the reported costs of independent productions already commissioned by Network Television and Radio Directorates. This information was jealously guarded by finance managers in departments who feared that the external comparisons would reveal how expensive inhouse productions were, relative to the outside world which operated in a more commercial manner than the BBC. There was also data about the pilots of Producer Choice in Television Film Services and some Current Affairs departments which were using external facilities (see *Appendix One* Chronology entries April 1988, 1991, and 1992), but these arrangements whereby budgets had been devolved did not include any provision for overheads. It was a key feature of PCTS that programme overheads should be carried by programme makers. Independent productions for the BBC were fully funded, including overheads, with detailed schedules of costs incurred against all fixed and variable costs. They were the best indicator to hand of what BBC television programmes might cost if they were all made using external resources.

Why was the work on the Production Efficiency Study delayed? Its delay affected the scope and organisation of PCCP and had a potential impact on quality. Was it just a matter of process, as Clout claims ^(1994:30), that: 'there were so many changes impacting on the organisation during 1992'? It would be easy to accept this explanation in view of the amount of work involved if one did not acknowledge that benchmarking was an essential component of Producer Choice, and that merely to set the 93/4 budget on the basis of historic costs would fail to bring about the downward pressure on programme budgets which Producer Choice was designed to achieve. John Birt expected to be Director General of the BBC by the time of the 93/4 finance year (if not three months earlier, as it transpired); he had a vested interest in ensuring that Producer Choice worked. To question any alteration in the development of PCCP is to confront the 'politics of change'¹ (see *Figure 3.2*). Coopers, who orchestrated PCCP, had intended to carry it out as planned, but they had underestimated the time it would take to obtain the necessary information about BBC costs, against which external costs would be compared. As auditors for the BBC, they had every reason to suppose the information would be available, but they were perhaps naive about the

context in which the information would be sought. If working practices were to be amended, so that wage costs within programme budgets could be reduced, then many thousands of staff at the BBC who currently benefited from these practices had a vested interest in obfuscation when it came to providing data around which tariff modelling could commence. The exercise of negative power became an important factor in denying information to those who requested it, or delaying or distorting its provision in some way, on the basis of the inadequacy of the existing financial information systems (FIS).

The broadcasting union, BECTU, represented about 12,800 (56%) of the BBC's Home Services workforce in 1991/2. They campaigned heavily against Producer Choice from the day of its launch onwards, arguing in a press release ^(BECTU 1991) that:

'a small group of senior executives led by John Birt is ... imposing irrevocable staff cuts before the debate starts on Charter renewal ... job cuts will fall almost exclusively in programme making areas, leaving the bureaucracy intact ... labour costs will be inflated by charges for management and the higher bureaucracy together with rents far in excess of the commercial rate'.

Labour costs formed the largest single element in any production budget, and the BBC still operated terms and conditions of employment which the independent companies had abandoned, or never practised, in the aftermath of the 1990 Broadcasting Act and highest bidding new round of ITV franchisees. BECTU argued, however, that a consequence of Producer Choice would be to raise labour costs, not lower them, with the result that producers would buy facilities externally of the BBC and the BBC's craft base would erode. This was the central dilemma of Producer Choice ^(see above, p.100 in part two of this chapter) that the use of external resources would ultimately lead to their being no internal resources for BBC programme makers to use. The advocates of Producer Choice claimed that internal resource providers would become efficient through the task of managing their own business units and having to break even. The opponents of Producer Choice said that carrying all programme costs within business units placed too great a burden on those units ^{(see, for example, the 'Save our BBC' campaign, launched in *The Times*, 7.2. 1992).} So long as there was a possibility of Producer Choice being 'pulled back', as its opponents hoped, tariff modelling could retain an air of unreality.

What of strategy in all this? In January 1993, Director General, John Birt announced a Programme Strategy Review ^(Birt a, 1993: 28) which was designed to take twelve months to complete, but which took twice as long, absorbing 'countless hours at an uncountable cost' ^(Brooks 1995). This was the 'strategy' outlined by Birt at the time of the launch of PCTS in October 1991. It could easily have been described as a 'five year plan' but such nomenclature would have been reminiscent of the annual plan and the command economy which PCTS opposed.

Strategy underpinned PCTS because it determined the level of programme funding. It was made up of the genre classifications historically used at the BBC, such as Music, News, Drama, Sport, Light Entertainment (LE) and so on, but the classifications were broken down into 'sub-genres', such as, for LE, 'Broken Comedy - Star Led', 'Sitcom', 'Quiz - Standard', 'Variety Special/Package Deal' and so on. Audience research analysts were becoming more demanding of detail such as these sub-genres, so that systematic analysis of audience tastes and preferences could be undertaken. It was both fortuitous and intended that the need for this analysis and for the funding of strategy as 'sub genres x tariff' coincided. The practice within the former 'annual plan' discussions had been to clarify only the simplest of questions about proposed programmes such as: 'Is it on film, in a studio, overseas, with costumes - and that was about it!' ^(unnamed interviewee: Appendix Four).

As with tariff modelling, attaching funds to the emergence of the sub-genres in the commissioned plan for 93/4 and the sketched plans for the following years was difficult. The importance of strategy to the overall working of PCTS was that hitherto the BBC had funded a production plan, but under Producer Choice the BBC expected to fund a transmission plan, based on the approved programme strategy. The year of 1993/4 would be transitional in that its production funding had to be transformed into transmission funding, with controllers being paid one-off, on transmission, and producers paid, one-off, on delivery ^(see Appendix Three). Failure to manage the switch from production to transmission funding would be laid at the door of those working in the early days of PCCP on the sub-genre listings within BBC planning departments. This responsibility taxed the resources of the people involved, just as tariff modelling had

done. In one or two cases, the strategy had to be based on guess-work because there was no extant data, other than rudimentary 'Facts and Figures' (BBC, 1992a, insert), on what output had actually been produced.

The mechanisms of tariff and strategy were used during PCCP to drive home the significance of PCTS as a new way of managing resources. They signalled a break with the past, and were pursued by the dominant coalition advocating Producer Choice even though they were subject to delays and guess work. They were important indicators of the management of meaning - symbols that the marketised BBC would mean the use of unfamiliar language as well as new business procedures.

5.3.3.2 Business Units

If tariff and strategy can be seen to have been devised from above, with an attention to detail typical of John Birt's managerial style, then the third linchpin in PCTS, the business units, can be shown to have been devised from below. Their design touched everyone working at the BBC. They too descended into levels of detail that caused confusion and delay, and they consumed so much junior managerial time that the more rarified atmosphere of clarifying tariff and strategy was left to senior management, known as 'the Sixth Floor', and to 'the boots' as the management consultants came to be known (see various interviewees, *Appendix Four* - the word play on 'boots' / 'suits' was deliberate). The creation of fully trading business units, each located within the structure of the BBC as a cost-recovering centre, and responsible for writing and managing a business plan, was a major structural change. Although budgets had been devolved to departments in some instances, the emphasis in the business unit structure was on **earning income**. This provided a completely different focus for all departments involved in programme making - it mimicked the arrangements in BBC Enterprises, the commercial arm of the organisation which ran its affairs as a 'plc'. Eventually, like Enterprises, all BBC directorates would handle their own pay and conditions of service bargaining, but not until 'Performance Evaluation and Review' had begun the process of dismantling the cross-directorate industrial relations framework which had underpinned the BBC's staff policy (See *Appendix One* February 1995 entry).

In order to trade with each other, and with the outside world, from April 1993, each business unit needed an agreed set of contract guidelines, and an understanding of how negotiations would be undertaken to confirm and carry out the required exchange of goods and services. The size and naming of business units, at first, could proceed relatively quickly as they tended to replicate existing cost-receiving centres. Problems arose, however, when the Overheads Review ^(see above, third section of part two) began to impact on these centres. Overheads would have to be paid for by cost centres utilising their services. Furthermore, many overhead cost centres were devolved to output directorates, away from the corporate centre of the BBC, adding to the number of business units within each directorate. There was an uneasy dialogue across directorate boundaries between negotiators who had not previously entered into a commercial contract before exchanging goods and services.

That the dialogue was uneasy was not just a result of the overwhelming significance of the politics of change and of the uncertainty of the substance of change; it also arose out of the process of change which had been designed for PCCP, namely that it should be carried out via a principle of subsidiarity. As *Figure 5.1* above shows, each Directorate Implementation Group (DIG) had to carry out all PCCP activities themselves. There was no framework in which to instruct directorates to minimise, for example, the number of business units that were eventually created. It would have gone against the grain of PCCP if such instructions had been given because the purpose of Producer Choice was to reverse the hierarchies of the past, not to endorse them. The eventual outcome of Producer Choice may not have realised this purpose, but it was certainly the prevailing objective at the time of PCCP.

In the summer of 1992, therefore, the number of business units being created was increasing, and there was no hint of the separation of all resource units into a new directorate which was to be announced in January 1993. Each directorate owning resources, however, had always structured them in separate cost-receiving centres. For the purposes of PCTS, the output business units were grouped by type as: Commissioning and Scheduling, Production, Resources, and Overheads. Transmission and Governance, which together absorbed about 10% of BBC revenue,

were each grouped separately and funded directly from the centre, i.e. avoiding PCTS. Overhead units were designed to be fully trading on a usage basis, (such as Information Technology), or trading under an annual Service Level Agreement, (such as Facilities Management), or funded by mandatory levy on output business units, (such as the staff magazine *Ariel* or the catering subsidy). The trend during the emergence of the business unit structure was to increase the number of bulk deals in certain circumstances, but also to increase the minutiae of individual transactions in other circumstances.

When PCTS commenced in April 1993 there were 481 business units trading with each other, and in the external market. About half of these were located within BBC regions, before their resources were separated out. The enormity of Producer Choice was exemplified by the emerging business unit structure, and it took time for this to be fully understood. It was easy to acknowledge, as Checkland ⁽¹⁹⁹⁴⁾ and Bob Phillis, Birt's Deputy Director General ^(quoted in Snoddy, 1993) did, that there were far too many business units - it was another matter persuading the junior managers responsible for PCTS in action that they should trade across the territorial boundaries of their own departments and amalgamate, for accounting purposes, some of their activities and put them into one business unit. Many of the staff had no training for this type of business planning. Unless they had worked in a 'plc' type organisation, they had no skills with which to suggest the structure might be other than the cost-receiving centre in which they currently found themselves. Business awareness training only began in the summer of 1992, by which time the business units had been named, and the process begun whereby each unit was working on its budget for 93/4, with figures provided by finance departments which approximated to that which the finance system would have allocated under the old cost-receiving basis. The context of change was a type of bounded rationality which trapped people in the paradigm of the past. The contract guidelines, overhead charges and facilities rate cards were published without any time for consensus building, with the result that figures were disputed by those expecting to charge more, or pay less. External contracts were prepared and ready for use but, just as programme costs could not be benchmarked until their true cost had been determined within the BBC, so the external contracts could not be publicised

if they were in dispute internally. What should have been a period for negotiating prices for the first year of PCTS became a period of learning how to cope with what seemed to be a new paradigm, where the skills of drafting business plans to manage the cost of working capital, assets, and cashflow, as well as the direct costs of production had to be quickly learned - all this at a time when the finance systems due for installation in April 1992 had still not materialised.

The outcome of the development in the business unit structure, during PCCP, was that there were too many units to make PCTS anything but overly bureaucratic and high in transaction costs. Steps to alter this outcome were taken immediately after PCTS got under way (Clood 1994: 40-41) and are described below (chapter six, part seven). At the time of PCCP, staff experiencing the 'coping cycle within the management of change' (Carnall, 1990:141-143) were still at the defensive stage, anxious to protect the boundaries of the cost-receiving centres with which they were familiar. They interpreted the *Producer Choice Guidelines* (BBC (1993a)) in a ritualistic way (Merton, 1938b:193). Encouraged by the project manager of each DIG, their business plans reflected the current way of working, rather than the intended way of working in the future. It would take time before tariff and strategy informed the decision-making processes of the business units, and the staff who remained conformed to the aspirations of the internal market business procedures, and discarded their fears for the future.

5.3.3.3 New Financial Systems

The fourth linchpin of PCTS, after tariff, strategy and business unit structure, was FIS (Finance Information Systems), noted as 'Infrastructure Development' on the *Project Masterplan Summary* (Figure 5.2 above). There were particular reasons why financial control was of more than usual importance during the period of PCCP as regards the government's relationship with the BBC. First, it had been agreed that from 1991, the BBC would manage its own licence fee collection, and payers were to be given the option of paying monthly, rather than annually in advance, as had hitherto been the only option. To cover this cashflow gap, the government had agreed an overdraft for the BBC, as part of the public service borrowing requirement (PSBR), of up to £200

million. Second, the licence fee was set at RPI minus 3% for the first of the three year collection period to which the agreement referred. It would then be pegged to RPI, a formula described as 'indexation'. The BBC had to factor in to their five-year planning horizon the loss of this 'RPI less 3%', which represented around £205 million of anticipated revenue. Third, to be in place for 1993 onwards, the BBC had to allocate a quota of 25% of its annual budget on originations (excluding news) to independent producers, who were known as 'indes'. The fear of 'double spend' on internal resources lying idle, while independents spent 'BBC money' on external facilities, was tangible. The expression 'indes and indexation' became a short-hand for the financial stringency under which the BBC had to operate during PCCP. The borrowing became an issue at a later date.

In March 1992 PCSG were notified that the anticipated savings from the implementation of the Television Resources and Overhead Reviews would help to keep the budget on course in the aftermath of 'RPI less 3%', but at the same time it was acknowledged that the New Costing Systems^(Accounting on Figure 5.2 above) were seriously behind schedule. It was part of the context of PCCP that the BBC's finance systems were inadequate in comparison with those in use in the external environment (See Birt, 1995, and Willcocks b 1992:170-191 and Loveridge and Pitt, 1990:14). One consequence of this was that as the labour market became more flexible, with people moving in and out of the BBC who had experience of working with different accounting systems, they became more critical of what was available within the BBC to track programme spend. Some individuals brought their own software with them, such as 'Moviemagic'. Others used the Channel 4 budget pack which formed the basis of the pack 'indes' used when commissioned by the BBC.

Within the BBC, however, attempts had been under way for some time to update **all** aspects of FIS. Competing systems, first designed, in some cases, as long ago as 1982, were still in the process of being prototyped. In particular the prototypes were attempting to discover ways in which the systems would integrate cross-directorate trading, and incorporate existing FIS such as 'Lotcaps' which tracked spend on all artists' and freelance payments, reporting them to Inland Revenue, and triggering

residuals and repeat fees. The cost of discarding these systems and starting afresh for PCCP was deemed to be too high in the climate of 'index and indexation'. The politics of change focussed on FIS because many long-term BBC employees had reason to have become cynical about 'new costing systems'. But, at the same time, out of loyalty to the BBC and, in some cases, to their own immediate colleagues, they resented suggestions that the BBC's FIS were inadequate, and that alternative models, such as that used by rival commercial stations, should be used instead. Finance Planning and Finance Accounting were two quite separate functions, as far as the BBC was concerned, and programme makers had considerable autonomy from both.

What were the 'New Financial Systems'? To call them the 'new costing systems' suggests, paradoxically, that they lacked the novelty of 'programme tariff, strategy, and business units' since they had been around the BBC for some time. This was the case, but that did not make the systems any less urgent as an integral part of PCCP, one that was a prerequisite of PCTS. Because the new costing systems included the facility to control spend against budget, their operation would ensure a smooth transition to funding the new transmission strategy, without the unanticipated overspends which could arise during the operation of the annual plan whose costs were only written down, in a formal sense, at the BBC's April year end. Furthermore, those costs, from a producing, or resource-providing departmental point of view, excluded overheads. Under PCTS, all programme costs were to be managed by trading business units.

If the new costing systems were to provide a conceptual picture of full costs incurred by each business unit, and they were not available to model this picture during PCCP, then PCSG knew that this was a 'high risk' area. Quite how close the project was to being postponed in the autumn of 1992 has not been disclosed. The substance of change was certainly under threat, because there was no certainty that the new costing systems would work, and would be installed and fully functional by April 1993. The politics of change, in a sense, came to the rescue of PCCP's schedule because, as one interviewee admitted: 'we said, it is in the BBC's way to delay and defer ... they will only be as ready as they will be, regardless of when you fix the start date'. PCSG

drew up a risk analysis in November 1992, which indicated that over-optimistic business plans, excessive external resource buying, slippage in achieving savings, and poor cash forecasting were all likely outcomes if the 'financial systems were late and/or users not properly familiar' (Clood 1994:26).

By then another issue within the context of change had emerged - the overspend in Network Television ^(see above, part one of this section). The BBC's Chief Accountant (CA) from Corporate Finance, John Smith, was moved in to replace Network Television's CA. Smith had been closely involved with PCCP, and knew the FIS problems intimately (Smith : *Appendix Four*).

'When we did all the Resources Reviews we discovered that television, regions, radio and NCA were each designing their own updates of existing costing systems. We were told that each were going to be brilliant and do just what the producers wanted, but we thought, if they are each so brilliant, why aren't they all the same? So, we asked Rob Jenkins who was working from Coopers on PCSG to investigate whether the systems could be merged, or replaced, or what. He recommended that the least expensive option was to stay with the different systems, and that's what we did. But, when I came over to Network Television in the autumn of 1992, after the huge overspend in TV, I discovered that the project management of NCS was absolutely appalling - it had been in development for six and a half years, and was still not operational. We decided to reduce its scope massively and we shoehorned it in in February 1993.'

The shock-wave of the overspend altered the context of PCCP, and to a certain extent, its substance. This was not just because the FIS which were 'shoehorned in' for PCTS were less user-friendly than intended (e.g. the router to facilitate electronic cross-directorate trading was abandoned), but also because the shock-wave helped to persuade many people on the finance side of the BBC's operations that robust systems were absolutely essential, and therefore the current cumbersome systems would have to change. People would have to co-operate.

New Financial Systems did not just concern New Costing Systems. They concerned management reporting and incentives requirements which formed part of the detail which John Birt had pledged would be sorted out during PCCP. When PCCP came under strain in Autumn 1992, it was decided to 'freeze a number of parts of a

constantly moving picture' (confidential : Starks to PCSG 16/11/92) , simplify the reporting requirements, and postpone for at least a year the introduction of interest charges on funding. The scope, organisation, and quality of the emerging PCTS were limited by these changes, which resulted from variability in the process and context of PCCP.

In the final three-month phase of PCCP, January - March 1993, each DIG was urged by PCSG to conclude the contracts for external trading and settle the financial authority levels which were also behind schedule. PCSG refused requests for access to reserves and underspends that direct funding on transmission might yield as benefits to certain business units, saying any incentive schemes based on the use of surpluses should be postponed. The infrastructure of FIS was insufficiently developed and 'Rewards and Incentives' (Figure 5.2 above) had been subsumed in the Annual Performance Review launched by John Birt in January 1993, and timetabled to commence in the finance year 1993/4. PCTS would start in that year, but training on the new costing systems was impractical before then because of the delayed installation of the systems themselves. Nevertheless, other aspects of training had proceeded during PCCP, and had contributed to a growing managerial focus on trading, albeit within an overly complicated system. Much was expected of the training programme for Producer Choice, even before the Effectiveness Project was launched.

5.3.3.4 Training

Training was the key aspect of PCCP that would continue beyond the implementation of Producer Choice, and would be offered whenever it appeared that the trading system was not working satisfactorily. The intention of the training programmes was to ensure that the emergent organisational culture of the BBC (the 'people' in the 'people, systems, organisation' mnemonic of this type of change management project) matched the emergent systems and organisation.

Managing training to enhance commercial acumen and the public service obligations of the BBC was a balancing act of such importance that it was made the special responsibility of the project director of Producer Choice, Michael Starks. There were

two main issues of concern: first, whether the required number of people (externally as well as internally) would have had the chance to familiarise themselves with what PCTS meant, before it began in April 1993; and second, whether the BBC's historic role as 'the' trainer for the entire industry would be maintained once business units were expected to carry the costs of training, and the full range of BBC programme making was not just provided from the BBC's internal base. Starks acknowledged that these were worries about internal capacity, health and safety, equal opportunities, training and increased bureaucracy, and argued, in this context, 'there are no problems which good management and leadership cannot resolve' (1993:41).

The management of the training programme for PCTS was in the hands of each DIG. It was one of the six main tasks, along with programme tariff and strategy, business units, finance systems and overhead review, that PCCP had to accomplish within the time frame of eighteen months (see Figure 5.1 above). Early on in the process of change, it was realised that the project management of the training programme would go awry if it were not given more central support. This was one of the results of the delays in programme tariff, strategy and finance systems milestones that gave PCSG cause for concern. Each DIG had commenced holding staff workshops about Producer Choice but only Network Television had commenced the task of training their managers in the skills of writing a business plan and of running a full management accounting system. The need to dry-run the New Costing Systems was identified, but frustrated by the absence of easy-to-use prototypes. The pilots of PCTS in Television Film Services, and, from April 1992, in Design and Scenic Servicing, indicated that redundancies were necessary to bring the costs of these services down to the levels which pertained in the external marketplace, but, this was information widely known already. The evidence of trading in News & Current Affairs (NCA) (Barnett and Curry, 1994:183) was only confirming what the BBC knew already, that its financial systems were so poor that money could be found simply by tracking it more diligently. The attraction of PCTS to producers was that in obtaining full costs funding they would be empowered to track the full costs of spending, and resist any allocations of costs which they were confident had not been incurred. This was what transparency of costs meant for them.

PCSG was guided by Michael Starks in its definition of the training objectives. They were designed to deliver :

- * BBC-wide Awareness of Producer Choice
- * Managerial Capability to run the business unit structure
- * Sufficient opportunities to pilot, test, dry run and model the trading system, so that it would be operational without too many technical hitches, and that those running PCTS had been familiarised with it before launch.

Starting with Network Television, each directorate was encouraged to hold as many awareness workshops as possible, offering staff the chance to contribute to an explanation of Producer Choice. Each workshop was led by DIG appointed senior managers from the BBC. With a workforce of around 23,000 in the Home Services, this was an enormous undertaking. Figures are not available from each directorate. Network Television held the highest number of workshops, reflecting the fact that Producer Choice was impacting first on them, and also that they in 1992/3 employed around 65% of the workforce. Staff newsletter announcements pledged that by Christmas 1992 1,000 staff would attend a workshop, and by June 1993, when the scheme came to an end, that at least a further 1,500 had attended. Clout ^(1994:30) suggests the figure was somewhat lower, at around 1,800 across all directorates.

The declared intention of the workshops was to have an open exchange of information. The main concerns were logged and addressed by the workshop organisers appointed by each DIG. Before March 1993, the lack of viable finance systems and of published trading guidelines provoked the greatest concern; thereafter finer points of detail emerged such as local management of production insurance and health and safety, and the fate of staff training, when each business unit had to break even, including its training costs.

If only around 8% of the workforce attended a workshop, it could be suggested that this was insufficient. Of course the feedback from attendance was supposed to help enlighten colleagues as to what PCTS implied, but it is difficult to measure what that

feedback comprised. Each event took half a day, with around 36 participants, in the ratio of around five nominated attendants to one PCTS 'expert'. The main emphasis was on opinion filtering up to PCSG, rather than ensuring opinion spread around. This was consistent with PCCP being designed 'from above' rather than tailored for the needs of staff. It was more important to measure 'what the troops think of this', than undertake a genuine staff awareness programme. To have put, say, 25% of the workforce through a workshop would have involved staging them, say, twice a week for ten months from April 1992 to January 1993, and PCCP was not resourced to this level of activity. Nor was PCTS particularly amenable to the democratic process that such awareness workshops inevitably provoked. PCTS, too, had been designed 'from above'; any ideas about different ways of managing FIS (such as 'give us the cheque book' or 'let us run our own software' (unnamed interviewees: *Appendix Four*) were not welcome when so much of the system had already been specified.

Should the Producer Choice awareness programme have involved more workshops, and additional means of education? It is difficult to state what these extra efforts would have yielded - perhaps more negativism, in that so much of the outcome of PCTS was unknown when it was being discussed at the workshops - the amount of concern expressed over the viability of the new finance systems, for example, would simply have increased, had there been more opportunities to discuss this matter. Was the programme just window-dressing? No, in the sense that feedback from the workshops did help to confirm PCSG's decision that imposing charges for the use of finance during the first year of PCTS would be too immoderate. Feedback also helped to confirm the unpopularity of any threats to the size of the BBC's training base, with the consequence that, for 93/4 at least, it was decided that budgets allocated to business units for training would be ring-fenced. Any ultimate verdict on the awareness programme should also include a reference to the *Extending Choice* workshops which were launched in May 1993. They were far more ambitious in scope and ran into accusations of 'sheep dip' (Lorenz, 1993) tokenism that the Producer Choice workshops largely avoided.

The 'likely learning needs' within the category of managerial capability had been identified, and reported to PCSG by BBC Corporate Management Development in November 1991. They were: Planning the Business; Marketing the Business; Managing Customer Care; Managing Profit & Loss; Effective Team-Working; and Operational Management. The strategic need was identified as ^(confidential paper : 8/11/91).

'to create amongst both buyers and sellers the realisation that the long-term interests of both, and the BBC as a whole, are best met, not by the crude use of market power, but by the exercise of responsible marketplace partnerships.'

A succession of one and two-day training courses were held, reaching around the same number of people (1,800), as had attended the awareness workshops, according to Clout ^(1994:27). This management training was directed at a far smaller proportion of the workforce (around 5,000 in management grades) and its take-up was far higher (36% of the eligible target). The nominees were invited to attend on the basis of how closely linked their jobs would be to PCTS, once it had been implemented.

One course arranged centrally was 'Living in the Market', organised through the London Business School. It featured a case study of an independent production company which represented a behavioural exemplar of the type of trading business unit within which Michael Checkland had envisaged every BBC producer should operate ^(Checkland, 1994). The majority of the training work around business units, however, was managed at local DIG level. Network Television took the decision early in 1992 to use external consultants, in this case, Price Waterhouse, to design and run the business planning courses. By the summer of 1992, however, it had become self-evident that the regions, NCA and Radio directorates also needed similar courses for their managers. They benefited from the experience of Network Television, and the expertise of a newly appointed PCCP training project manager, and put the work out to tender. Coopers were chosen in every case.

When asked the question about the usefulness of these one and two-day training courses, a number of participants replied 'learning to write a business plan was the easy bit' ^(Salmon, Aaronovitch, Home, Taylor, Lumley: *Appendix Four*). Placing the business plan in the context of Producer Choice and the BBC's tariff and strategy funding mechanism was

far more difficult. For the first year of PCTS, some business unit managers found that they could not get the corporate centre to agree their projections in time for the 1993/4 budget discussions, because overhead charges, service agreement costs and capital charges were in dispute, or not yet determined. This impasse lingered on for those managers who feared that the projected level of overhead costs recovery would be so high as to force them out of the market altogether. Some of these managers chose to leave the BBC, or work out their contracts on more junior tasks, rather than remain in roles which gave them responsibility for the full implications of PCTS.

Was this abdication of responsibility an intended consequence of the management training courses? It could be argued that these individuals were still in 'denial' or 'defence' (Camall 1990: 141-3) and PCCP did not have time to wait for them to catch up with their more adaptive colleagues. But some of the individuals who chose to leave the BBC, rather than wait to see PCTS implemented, were those who had spent a lot of time with the trading system pilots; they claimed that they had seen the future and disliked what they saw. They were not prepared to make any necessary behavioural changes because they did not want to fit in with the new trading system. No doubt the system was likely to run better without them, at least in the short term if they persisted in failing to adapt. The knowledge they brought to their work would be less relevant under the new systems. The trend would be for middle managers to be offered early retirement or a generous redundancy settlement, regardless of their competencies with the new systems. All this was obvious to many who had worked at the BBC for a substantial part of their lives, and had then taken part in a Producer Choice management training course. The age profile of the BBC has become increasingly young since the introduction of PCTS (see Howard Davies, 1995, and Meekings, 1995:7). As Tim Gardam⁽¹⁹⁹⁶⁾ commented: 'you'll have more fun under 40 there, than you will when you're over 40'.

There was a further impasse, in addition to 'denial' concerning the development of PCTS during PCCP that was supposed to have been addressed by the managerial capability training courses - 'marketing the business' and 'managing customer care'. Although, in some cases, new people joined business units with the necessary skills

to handle marketing and customer care in an adept manner, in the majority of cases the one or two-day training courses were directed at individuals who had almost no experience of genuine negotiation in a market as opposed to a command economy. Such courses could not revolutionise trading patterns within the BBC at the sort of break neck speed that PCCP required. When PCSG took stock of the situation at the end of 1992, they concluded there was an ignorance of purchasing procedures, and some resource units had based their business plans on historic volume usage, rather than a meaningful discussion or negotiation with their anticipated client base. The sceptics argued that 'living with choice' was not going to be possible when the BBC's borrowing limits remained fixed, and large amounts of capital were tied up, for example in equipment whose replacement could not be funded, and in property whose disposal was proving problematic during a recession.

Part of the problem of the training programmes concerned the context of change in the autumn of 1992. The BBC was going through an 'interregnum' with two director generals at the helm, and the government's pronouncements on the future of the BBC had yet to be published ^(DNH, 1992). In the main, external consultants were running the management training courses and they tried to keep the focus on what they had been hired to deliver - proficiency in running a business. When Coopers presented the 'Financial Management under Producer Choice' guidelines to around 170 senior managers of the BBC in September 1992, with the words 'you've seen the video - now read the book!' they might have had reason to congratulate themselves on getting as far as they had when the infrastructure systems were so delayed. Certainly the video was of interest to those BBC managers who would be responsible for sustaining trading within a business unit, and, having attended the right courses, they could understand it. But the guidelines contained a forbidding amount of detail with a 'healthcheck on business systems capability' that made operational managers realise how close the BBC's corporate finance centre still intended to be to the running of each business unit after PCTS had been implemented. The focus at the BBC's strategic level continued to be on cost control despite the rhetoric about there being more money for programmes.

Should the management training programme have been more supportive of the creative programme-making side of the BBC, at the expense of this emphasis on centralised cost control? As John Birt described it ⁽¹⁹⁹⁵⁾:

'I remember when I was a programme maker. I just wanted to be left alone and I well understand that. But that is not an option for us'.

In their review of PCCP, the Television Directorate noted in the summer of 1993 that they had turned the corner managerially, but had failed to take staff with them. The question is whether the staff wanted to turn the corner, or whether they just wanted to be left alone? It was also suspected by many of the staff, fuelled by feedback from workshops, and by the prevalence of rumour, that the most important patrons in their environment, the programme controllers, had not signed up to the future vision of a marketised BBC. Rather, they had sought to continue to act in the same way as before and assure colleagues that nothing much had changed. As someone close to PCSG described it ^(unnamed interviewee. Appendix Four):

'you can tackle systems, overheads, resources, business units etc, but when you mention programmes, something rings in their heads, and they don't tackle it.'

It may be that managerial capability is incompatible with programme making, and thus, perhaps, any attempts to converge the two are foolhardy? This question will be reconsidered in chapter six below. For the purposes of this section on management training, it is important merely to observe that the intention was to bring programme makers into the managerial circle, and some chose to join in, while others did not. PCSG was aware of the virtues of a market economy as far as the government was concerned, but the training programme avoided an explicitness about this factor. This was either through an understanding of how unwelcome government views were among the independently-minded workforce of the BBC, or through a focus on the detail of the change programme which did not allow for an exploration of the wider issues at stake - possibly a combination of both.

The third element of the PCTS training objectives (after awareness and managerial capability) was to provide opportunities for the users of the new system to pilot, test and model it in a way that would help people to become familiar with it and, perhaps,

improve its operation. This may have been a desirable element, but where pilots were in place (Television Film Services and, from April 1992, Design & Scenic Services and some 'dry-runs' in programme departments) they were proving to be unpopular, largely because of the mandatory nature of the overhead charging arrangements. Refining the transfer pricing policies was discussed, but there was no negotiation around the basic intention, as expressed by John Birt at the October 1991 launch ^(Birt 1991:5) that :

We plan ... to reduce overheads to a minimum by April 1993; and by April 1994, we shall devise and institute systems to ensure that every overhead function has a direct price relationship with its customers.

Frustrations with the process of implementing PCTS within the 'dry run' departments were as nothing compared to the frustrations expressed about the absence of the new costing systems. These ^(see above, section 5.3.3.3) remained unavailable for staff training for all but six weeks of PCCP. When the modified costing systems were installed, the effort that went into providing 'hands-on' training was formidable. In Network Television over 1,000 were trained within six months of installation. Comparable numbers were trained within the other directorates, although this took a little longer while the finance cases for equipment upgrades (such as 'Windows' software) went through.

Pilots and systems tests were not as integral to PCCP as had been anticipated. This was largely due to variability in the process of change. Instead, interactive modelling came into its own in the autumn of 1992 because of the shortcomings of these other elements in the training programme. Interactive modelling (termed 'Fast Forward' in the case of the BBC) provided the means whereby some of the projected inadequacies of PCTS (if it were to start as planned in April 1993) were overcome. Fast Forward was a two-day event (first arranged for Network Television) that allowed two and a half years of production to be played out by around 70 operational staff within an interactive model, designed by the Office for Public Management. At the time of the decision to plan the simulations, in the summer of 1992, it was clear to PCSG that cash management was at high risk under PCTS and there had been little opportunity to exercise the 'responsible marketplace partnerships' on which PCTS was intended to thrive. The simulations provided an element of speeded-up time in a learning

environment, away from BBC offices, where the aspiration to be 'a learning organisation' was frequently frustrated.

Cloot ^(1994:34) argues that Fast Forward was 'the next best thing' to 'a pilot operation' which he would have expected to have been conducted, had there been time. It is not clear why Cloot calls the pilots which were running before PCTS 'initiatives' ^(1994:16) rather than 'pilots'. It may just be a matter of semantics, or possibly of ownership, for PCSG had not initiated the earlier pilots. In the case of Fast Forward, also, the idea for it did not originate with PCSG, but it was co-ordinated centrally by the PCCP training manager. Those individuals who recounted their part in the Fast Forward simulations ^(various interviewees: Appendix Four) for the purposes of this study were each anxious to claim creative ownership of the way the simulation was run.

As the biggest spender within the BBC, Network Television had been targeted for Producer Choice before the other directorates, and it had already hired Price Waterhouse to carry out the business planning training programme in the spring and summer of 1992. It was consistent with this background that Network Television should continue through its DIG to steer Producer Choice in the direction of its own choosing where possible. The following comments from Will Wyatt, who role-played his own job as Managing Director of Network Television during Fast Forward, set the event in the context of his directorate ^(Wyatt: Appendix Four):

It was a very valuable exercise; it showed that some people could be very entrepreneurial indeed ... it tracked producers' intentions so that resources could keep up; it encouraged departments to put systems in place so that external quotes could be properly compared with internal ones, and (it) pointed up the importance of having a detailed specification.

The event was written in up great detail for circulation within the BBC ^(Management Report, December 1992 : confidential). A lot of what the report had to say is indicative of how PCSG viewed the performance of PCCP at the end of 1992, and in the light of the Network Television Fast Forward event. For example, Michael Starks' opening remarks were summarised as follows:

Producer Choice can only happen with everybody understanding it and pulling in the same direction. A process of drastic organisational change is bound to take us all through stages of denial and fear before building new competencies and feeling secure enough to let go and explore the positive possibilities of the future.

The analysis of the role play of the production year, 1994/5, provided a frank commentary on how the 'responsible marketplace partnerships' might not emerge:

(p.11)The Corporate Centre argued that information was essential for sound decisions: "Without information, dialogue was based on posturing". They said that programme strategy should be driven by Public Service Broadcasting objectives, not by the commissioning process.

The TV planners said that the Corporate Centre did not understand how long it takes to build information systems. Network Television management agreed, and said that the second day of the simulation was much smoother because more information systems were in place. The one drawback of information was that it allowed the Corporate Centre to be more demanding.

The Controllers felt that tariffs had been driven down too low and did not allow them the freedom they wished for commissioning.

(p.13/14) Although the Corporate Centre could not be sure that the reductions it was asking for were achievable without affecting quality, in the absence of evidence to the contrary, it pushed ahead.

...Producers asked why they should drive down costs if they do not see the gains (especially if they are on short term contracts). The policy of putting saved money back into programmes does not seem to be enough of an incentive. In any case, producers find constant cuts to their budgets demoralising, no matter where the money goes....

(p.15) The BBC resource units found forward planning just as important as the production units. It was also clear that they needed firm commitments and contracts well in advance to create stability. The cashflow problems caused by slow commissioning and bad phasing were almost disastrous for the units.

The next directorate to hold its own Fast Forward was the Regions, followed by Radio, and finally, in March 1993, NCA. In 'Radio Fast Forward' the Corporate Centre held no money at all, so that the break-even targets had to be met - there was no money available from the Centre in the event of overspends or undershoots of business planning projections. This alteration to the model was one example of its

receptiveness to change - at the Network Television event, the Centre had run out of cash because underspends had been retained by producers rather than returned to the Centre. NCA altered the model by tagging resources 'gold' and 'silver', and newsgathering was 'unresponsive, and ring-fenced' with funding from a top slice of the budget. David Aaronovitch ^(Interviewee: Appendix Four), who organised the March 1993 NCA event with Laurie McMahon from the Office for Public Management, was interested to discover that about twelve months after Fast Forward, when Newsgathering funding was still ring-fenced, its customers (NCA producers) started to complain about this. They wanted to influence the quality of its provision by a price negotiation, and a trading relationship, rather than funding it from the top and accepting what was delivered. In this respect, NCA Fast Forward had shown in a virtual world that the resource provider who takes his/her funding for granted is less responsive to the producer's needs than the provider who has to earn funding. As the last of the Fast Forward events, NCA benefited from the experience of the earlier events. The role play took less time, and the final session was spent discussing the document summarised below in *Figure 5.4*:

Accountability	Money	Quality	Employment
Directorate Relationships inc. Strategy	Management and £ Information Systems	Culture and Procedures	Trading Relationships inc. Indies and Regions

Figure 5.4: 'Making Producer's Choice Work : Who has to do what?'

The above discussion of training as the final section in this chapter on the implementation of Producer Choice is useful because it incorporates comments about the process of change articulated in a situation set aside from the environment of normal operational practice. In that environment of 'the real world', Producer Choice was not implemented in quite the way the training programmes envisaged. It is to this implementation that the study now turns.

CHAPTER SIX - THE OUTCOMES OF PRODUCER CHOICE

Introduction

In organisational terms, the launch of PCTS can be seen to have been the prelude to a restructuring of the BBC which ensured the renewal of the Charter on terms agreed by the government: it would be an organisation capable of 'serving the nation and competing world-wide' (DNH, 1994). In a multi-channel environment, the survival of the BBC as a publicly-funded organisation may still seem anomalous; as *The Future of the BBC* (DNH, 1994:29) described it: 'few dispute that the licence fee is an oddity'. And yet, despite the acceptability of 'alternative financial models' (Bland, 1997:11), the licence fee has survived, even if at a level lower than that requested by the BBC (See Appendix One 1996 entry). The licence fee still accounts for around 95% of the BBC's income (Birt, 1996:5 and BBC, 1997:45) while BBC Worldwide (the fully trading commercial subsidiary) contributes around 5%. If the renewal of the BBC's Charter can be interpreted as an endorsement of Producer Choice, and government pronouncements such as that from Stephen Dorrell, Secretary of State for the Department of National Heritage (see Appendix One November 1994) suggest that it can be, then PCTS as outlined above (Figure 4.1) can be said to have achieved the continuing objective of the BBC: 'survival' (see Seglow, 1983).

Against the backdrop of survival, however, there are dilemmas of interpretation which have been hinted at above (see, in particular, part five of chapter four, p.82). Clarifying the intended outcomes of Producer Choice, and establishing some of the actual outcomes which differed from the intended is a basic necessity of this chapter. The intentions of Producer Choice are contested, like so many other features of BBC management initiatives. For example, Producer Choice, as outlined in the *Guidelines* (BBC, 1993: insert 3, quoted in part five of chapter four, p.81), was to deliver a more decentralised BBC, functioning as a mixed economy, with transparency of costs. Earlier, John Birt, in his remarks in the Staff Briefing Paper (BBC, 1991:3) had vowed that Producer Choice would cut out bureaucracy, simplify relationships around fund-holding customers, devolve power and invigorate the management of the BBC. But, as measured in the Evaluation Reviews, (Clood, 1994:40 and 2nd year internal review Confidential via Rodney Baker-Bates) Producer Choice was supposed to: identify the full costs of programmes; allow producers to exercise choice

about purchasing decisions responsibly; ensure more money was available for programmes; ensure resources were being used more efficiently; and, through breakeven targets, and comparisons with the external market, indicate that the BBC was better able to show value for money than before. Contrary to the tone of the launch document (BBC, 1991) in which Producer Choice was cast in terms of new freedoms and responsibilities for television producers, BBC Corporate Affairs (Thomasson, interviewee Appendix Four), in reacting to a draft of this chapter in April 1997, said:

The BBC introduced Producer Choice to give a better deal to its licence payers. Higher standards were expected of public services generally and the BBC could be no exception. Licence payers could expect value for money and it was only right that more money should be spent on programmes and services for viewers and listeners.

In this study of organisational change, the contextualist processual model (Figure 3.2) has been used to help interpret the differences between the espoused and actual outcomes of Producer Choice. In the context of intention, the substance of change, and variability in what was achieved, are the most useful of the *Five Pointers to an Understanding of the Development of Producer Choice* (Fig. 3.2 p.46). The 'social practice framework' (see chapter three, p.43) has also proved useful in establishing the relationship between differing levels of analysis and managerial perspectives. For example, the technical perspective sees Producer Choice at the behavioural level as a mechanistic way of cutting costs; the political perspective envisages Producer Choice at the organisational level as a means of enhancing a new type of managerial control; the critical perspective concludes that Producer Choice is a prelude to yet another privatisation of a state-funded public institution. To elaborate the linkages between the multiple intentions of Producer Choice, and to draw some conclusions based on the research which evaluate the change programme in terms of success or failure, this chapter considers eight dimensions of the outcomes of Producer Choice in turn, and then it briefly summarises the motivating factors behind the change programme. Analytical generalisations drawn from the research are considered below, in chapter seven.

The eight dimensions on which Producer Choice is evaluated in this chapter are listed below:

- 6.1 **A More Adaptive Organisation to the Emergent Environment**
- 6.2 **A More Accountable Organisation**
- 6.3 **An Internal Market**
- 6.4 **'Producers' Choice' to buy Resources internally or externally of the BBC**
- 6.5 **An Inbuilt Mechanism to ensure Capacity Reductions**
- 6.6 **Programme Budgeting in Full Cash Costs**
- 6.7 **A Reduction in Bureaucracy**
- 6.8 **A Better Managerial Focus**

Part Nine of this chapter presents a brief summary of the motivating factors behind the change programme.

Part One

A More Adaptive Organisation to the Emergent Environment

Producer Choice has been described mainly as a technical system which was imposed on people who work in and around the BBC (see Barnett and Curry 1994; Clout 1994; McDonald 1995). However, it was, more importantly, a response to the surrounding political, socio-economic and technological environment, whose emergent features comprised: the globalisation of the information and entertainment industries, usually via joint ventures; flexible specialisation in production methods (Barnatt and Starkey 1994:251-60 and Harris 1994), and a new 'anti-bureaucratic' turn in public sector management (Perri, 1995:3 and Pollitt, 1991:67-8). At the institutional level, the key change in context was the increasingly pervasive belief that markets were replacing hierarchies as the fundamental principle of economic management (Williamson, 1975 and 1992; Holtham and Kay, 1994). Phrases summing up this environment articulated around the BBC at the time of Producer Choice implementation were typically: 'the status quo is not an option' and 'we must get lean and fit' for the 'New World' of convergence, via digital technology, of computers, entertainment, news and telecommunications. Later, around two years after Producer Choice 'went live', the common expression from senior managers at the BBC was: 'We are learning to live with constant change' (confirmed by many interviewees: *Appendix Four*). As Castells (1996:153) notes:

the fundamental goal of organisational changes, in various forms, was to cope with the uncertainty caused by the fast pace of change.

Implementing Producer Choice was intended to yield a BBC better fitted to deliver both public and commercial services in the emerging environment of convergence. The controls associated with Producer Choice could be said to be an essential precondition for the implementation of the BBC's *Extending Choice* initiative outlined in *The Digital Age* (BBC 1996). The BBC is more adaptive. It has espoused a policy of expansion of new channels and services which aims to keep it at the forefront of British broadcasting, partly because (interviewee unnamed, *Appendix Four*) 'Major's government basically said develop your own television and online services commercially'. Many fear this expansion will undermine the BBC's public purpose. (See, most recently, the incoming Labour government Heritage Secretary, Chris Smith, quoted in Brooks (1997):

'the commercial tail of the BBC should not be allowed to wag the public service dog'). But, in terms of the emergent features of flexible specialization, joint ventures and the 'anti-bureaucratic' turn in public sector management, the BBC's expansion has contributed to the variability of that environment, or what Pettigrew calls ^(1985:37): 'the context of change'. In exercising strategic choice, the dominant coalition of Chairman and Director General of the BBC, buttressed by groups within the BBC who embraced notions of expansion into new markets ^(particularly, the Resources Directorate and the Worldwide trading subsidiary), has maintained and adapted the monopolistic power implied by the licence fee, rather than moved towards a network or 'virtual' ^(Anon, 1996a *The Independent Business Comment*) form of organisation.

The increasing presence of the independent sector as suppliers of BBC programming would, however, appear to signal a definite move away from integration and towards more 'disaggregated' ^(Clegg, 1990) forms of industrial organisation. Checkland ⁽¹⁹⁹⁴⁾ wanted BBC producers to behave more like independent producers. Commercial trading is, ostensibly, at the core of the internal market. Furthermore, the vertically integrated BBC has been subject to disaggregation, following the sell-off of what was formerly regarded as core industrial capability in transmitters and engineering capacity. ^(See Appendix One, December and April 1995 entries). The concept of flexible specialisation would appear relevant here, in so far as it accounts for the rise of subcontracting and the shift to smaller and more dispersed modes of organisation ^(Barnatt and Starkey, 1994). But, in its efforts to retain critical mass, even to the extent of continuing to subsidise production within the BBC in centres outside of the metropolitan London base, the BBC has utilised the concept of flexible specialisation to force through changes in working practices within the organisation ^(see, for example, evidence in Goldring, 1994), rather than move to the 'logical conclusion' ^(several interviewees: Appendix Four) of outsourcing everything. The BBC still maintains the largest concentration of production capacity in the UK, and it is still seen as the UK benchmark in terms of industrial best practice and cultural output.

The new Chairman of the BBC, Sir Christopher Bland, interviewed in the staff magazine, *Ariel* ^(21 May, 1996) considered that the BBC was 'better placed than anyone else in the UK' to face the challenges of the new broadcasting age. This may be a case

of being damned with faint praise. The BBC is not as adaptive as it had hoped to be after the introduction of Producer Choice because it still takes an overly long time to make commissioning decisions, as the 2nd year internal review of Producer Choice admitted, and as many producers lament (see, for example, Potter, 1995, Gardam, 1996, and Gannon, 1997). The main reasons for this lie in the nature of bureaucracy (particularly goal displacement, and the process of sanctification) at the BBC, and in the related complexity of the accountability procedures, both outlined below. There is also evidence presented in the 2nd year internal review that the training initiatives have been insufficient to make the organisation be more adaptive, in the sense of making Producer Choice work. There is an emphasis on management training, rather than craft skills training (see Bishop, 1995). The BBC did not espouse the intention that Producer Choice would lead to the BBC no longer being 'the' trainer of craft skills for the industry, but that has certainly been an outcome. As noted in *Appendix One* (December 1996 entry), and commented on by many interviewees (*Appendix Four*): there is no more 'one BBC', and there is no more 'one trainer'.

The ethos of homogeneity in operational terms has been sacrificed in favour of strategic adaptability within the emergent environment through the introduction of separate and competing trading divisions, what Williamson (1975 : 148) described as decentralised 'true profit centres' (and see below, p.158-9). To paraphrase Michael Starks's remarks in August 1991 expressing the fear of a post Producer Choice BBC that might be 'divided and inefficient': the BBC is more divided, but more efficient. The formation of the trading divisions would appear to have provided the means whereby adaptability, as a BBC characteristic, could be enhanced, offering the option of privatisation at some point in the future.

Part Two

A More Accountable Organisation

The notion of accountability is central to Producer Choice. The government had noted (for example, Home Office 1986 : 121-2) the BBC's entrenched resistance to the use of Performance Indicators in the past. Senior management's acceptance of the need to demonstrate accountability is indicative of their determination to move away from the 'old' BBC. In absorbing the new rhetoric of public service management (see, in particular, Cave Kogan and Smith, 1990), the BBC's Board of Governors set up and began to report on a number of Key Performance Indicators (KPI's). The Board of Management monitored the separate divisions of the BBC in a similar way, via the Annual Performance Review (APR). In tandem with this, controls were imposed on individuals by means of performance related pay (PRP). The impact of PRP was softened through a 'BBC Effectiveness Project' which vowed three promises to staff: communication, training and involvement (BBC 1993 (b)). This project, along with guidance on 'an Accountable BBC' and on 'the BBC's Commercial Policy' (see references in successive *Annual Reports*, BBC, 1993 onwards), arose out of the context of Producer Choice being a prerequisite of Charter Renewal, just as it was also a prerequisite of 'the Digital Age' (BBC, 1996). Transparency was required in everything that the BBC was setting out to do.

But accountability means different things to different people. Firstly, for neo-liberals who advocated a free market in programme supply, it could offer an antidote to the market's excesses, such as a concentration of low cost programming in the schedules. Secondly, for producers, it could become a shackle around their creativity. Thirdly, for organisations such as the BBC where goal displacement was endemic, it could become a distraction from other more difficult pursuits, such as innovation, or the management of uncertainty (for elaboration of this as a 'gaming' concept, see Burningham 1990:138-9). Producer Choice has enabled the BBC to demonstrate in quantitative terms how well it is performing against the measures or yardsticks it has set up for itself. However, the PI's are by and large measuring output which was already being measured, such as the number of repeats in peak time, and the APR has become weighed down with a mass of detail and heavily mechanistic responses - described (unnamed interviewee *Appendix Four*) as:

a searching investigative tool, but, in the hands of technicians not leaders, it's just a process of gathering data - it could be much more.

Regarding PRP, the dominant view among staff is that the PRP element in their wage packet is not substantially different from the former annual incremental award, and the BBC pledge to provide communication, training and involvement is no more substantial than in the days before Producer Choice when training was more readily available (because it was not charged to departmental budgets), and communication and involvement were not wrapped up in an 'Effectiveness Project'. Some people interviewed for this study even went so far as to say that the upward appraisal forms, staff surveys, breakthrough strategies, and 'meet the management away days' were entirely counter productive and wasteful of staff time.

When the BBC Chairman, Sir Christopher Bland, introduced the new 'Statement of Promises to Viewers and Listeners' at the VLV Conference in November 1996, he was pleased to announce there were two hundred and thirty of them. Commenting on the Next Steps Agencies in the Civil Service and the regulation of the privatised utilities, he said the BBC had little choice but to join the bandwagon. One year later, the BBC has reduced the number of promises, and is still being criticised for becoming 'blue-faced' (Anon, 1996b) if asked about the transparency between its commercial and public service operations. Was the intention of providing better accountability just window-dressing on the part of the BBC before Charter renewal? Or is there an inevitable conflict between promising to become both more competitive, and more accountable, at the same time? Would there not always be variability in an objective such as providing better accountability, dependent on which measures are used? For example, the consumer is now promised greater accountability through greater regulation, but the BBC is still regulated by a different body (the Board of Governors) from the ones (the ITC and the Radio Authority) which govern independent television, radio, satellite and cable delivery. Just as the context of change in the environment has accommodated the BBC's continued presence as a monopolistic producer / broadcaster, so the context of change in terms of accountability in public sector management has moved back from the 1980's relatively simple notion of consumer sovereignty in the direction of multiple accountabilities and more diffuse regulation.

Part Three

An Internal Market

The Producer Choice trading system relies on a split between purchasers, on the one hand, and providers on the other. As pointed out in Wilson and Hinton ^(1993:30), this type of internal market is not necessarily seeking profit maximisation, nor is it necessarily privately-owned. Its purpose is to improve output and allocative efficiency, and to move public service organizations towards a culture where relationships are based on a trading contract, rather than on bureaucratic forms of exchange. In the case of BBC resources, they were analysed during the process of the Resource Reviews which took place from 1990 to 1993, and their output was related to their input in a calculation of 'output efficiency'. This was then benchmarked against best industry practice ^(see Symons, 1995). 'Allocative efficiencies' were also implemented, such as the decision to close BBC Design Services, and allocate the resources for this service to external suppliers because, for similar or better quality work, they were less costly.

The trading system is designed to provide the means whereby the BBC has 'better articulation' between its limbs ^(DNH 1992 and see Starks, 1993:35). Some people at the BBC embraced the entrepreneurialism that the trading system implied too enthusiastically, arguing they should only use external resources. They found that their plans were thwarted by executives senior to them. Other producers, despite training, refused to negotiate deals individually, and merely put their former bulk deal resource purchasing arrangements on a market trading basis. The adaptive behaviour displayed by BBC producers was typical of the innovative, (non-conforming), ritualist and retreatist types classified by Merton ^(1938b:193). Three years after the start of Producer Choice a certain conformity to the trading system has been established; the ritualists have been marginalised, and the retreatists have left. But, the internal market itself is not necessarily working well. As John Birt described it, ^(quoted in Jones, 1995 and see Birt, 1995a)

We have a long way to go before our business procedures are efficient enough for an internal market. ... We are drawing to the end of the existing battery of measures. We have to lift our sights and develop a whole new set of ideas.

If the business procedures were inefficient, why was the internal market introduced? There is no doubt that its implementation would have been aborted, had the views of those who pronounced in September 1992 that the new costing systems would not work prevailed. A political interpretation of the decision to proceed with Producer Choice is that it was a cynical move to force change through the BBC without any likelihood of a genuine trading market emerging. As John Birt said (*Ariel 2 April 1996*), when describing the divisional separation of commissioning from production:

It's simplistic and wrong to think of the structure as a mechanism designed just to force down costs and drive efficiency in the way that Producer Choice did.

If the intention were to drive change for change's sake, then Producer Choice succeeded in this. If the intention were to utilise an internal market as a means to cost-cutting, then that too has succeeded (*see part five of this chapter*). But if the intention were to adopt an internal market as an end in itself, in an atmosphere of 'open information with the strategy funding the controllers, rather than the other way round' (*Starks, 1993:33*), then Producer Choice has been a failure. Has it failed because of faults in the system, and variability in what such a system can achieve, or has it failed because it has been 'pulled back'? Sir Michael Checkland, interviewed in 1994, said

Inter-charging has gone too far ... and it will have to be pulled back John Birt took the ideas from television and made them equally applicable to all parts of the BBC. That's a logical extension of the systems approach, but it is not necessarily desirable to my mind, and I think the BBC would have achieved a lot of the benefits by simpler approaches outside Network Television. I believe in five years time a lot of that simplicity will return.

John Smith (*interviewee, AppendixFour*), named to succeed in 1998 Rodney Baker-Bates as the BBC's Director of Finance and Information Technology, said in 1995:

Another economic model will be needed - the internal market will die eventually, but not for a while yet. All business models have a finite life.

Inter-charging may have gone too far (*see, for example, Ezard 1997*), but the intention is still for there to be a direct relationship between overheads (such as the Music Library) and their users. The number of trading units has been reduced (*see below, part seven*) but negotiations still take place between those trading units on the basis of earning funding to stay in business. Furthermore, negotiations can now take place with purchasers outside of the BBC's public services, such as new BBC digital channels, and terrestrial

and cable and satellite competitors. Each business unit operates a profit and loss account within the Producer Choice trading system, and can, as part of its approved business plan, provide and charge for its services externally of the BBC. As Stephen Dorrell, Secretary of State, said, in March 1995, at the Television Show:

The distinction between scheduling and producing is most important and John Birt would say that change in the future means that it is important to keep them separate - both skills can be sold overseas.

The 'new conformists' or 'Birtists'¹ (by which some interviewees, see *Appendix Four*, were content to be known) were prepared to acknowledge several advantages of the new trading system. Two examples of this follow - the first from the Head of a Radio Production Unit:

I'd never had cause to think of myself as running a business before Producer Choice, but now, after a steep learning curve, I've got the idea. I'm proud to see cost per hour dropping through better management and understanding of the system;

and the second from the Head of a Resources Unit (see *Goldring, 1994*):-

We've gone from being a comfortable marriage, rocky at times, but people got on rather well and enjoyed that existence. We're now in a business environment where husband and wife are talking about charging each other for breakfast, and charging each other for making the bed. ... People are rather frightened and worried by that environment. I don't mind about that environment. I find it a challenge.

The 2nd year internal review of Producer Choice noted concerns that the balance between trading and co-operation between purchasers and providers was unclear, and expressed the hope that responsible marketplace partnerships would be clarified. For those 'new conformists' who remained, or who joined the BBC after the introduction of Producer Choice, 'responsible marketplace partnerships' represent the organisational goal for which they strive. The introduction of 'common, production-led financial information systems' (pledged in the 2nd year internal review) should do much to assist this goal, but patronage can easily sit outside a financial information system. If the internal market were also designed to challenge the patronage, or controller power, which still lies at the core of commissioning decisions, despite the intentions of the new commissioning process (see *Appendix Three*), then it certainly has a long way to go. The 'process of sanctification' (Merton, 1938a - see below, part eight) is an agent of controller power at the BBC which the internal market has done little to puncture.

Part Four

Producers' Choice to buy Resources Internally or Externally of the BBC

When Producer Choice was launched in October 1991, it was heralded as a system which producers wanted. This was as a result of pilots of the system which had taken place in London-based areas of Network Television and in Current Affairs, where producers had been keen to utilise available external resources, knowing that they were either cheaper than those available internally, or at least would appear to be cheaper under BBC costing procedures. Michael Starks, Project Director for Producer Choice, said that 'producers' decisions over time would collectively condition the size of the BBC' (Television Show, March 1992 and Starks, 1993). When he was asked directly about this in October 1995 (interviewee, *Appendix Four*), he agreed that this was the intention of Producer Choice, but he added the important qualification that it would be 'within cash constraints and borrowing limits'.

'Producers' Choice' meant, in principle, that the buying behaviour of producers would alter because they would have the freedom to spend money internally or externally of the BBC's resource base. It was not the same as the devolution of budgets which Michael Checkland had implemented since the late 1980's in such divisions as Engineering, and in the World Service, where the system was known as User Choice. Producer Choice was not just devolution; it was a trading system which actually gave producers, or more realistically, the departments where producers worked, the right to spend money externally, if it could be shown that such an action was more cost efficient, and therefore, by definition, more accountable than spending the money internally. Market testing provided the means whereby this cost efficiency could be demonstrated.

Although producers were supposed to exercise choice responsibly, their freedom to do this was curtailed by various cash crises, occurring from December 1992 onwards. Each was associated with conflict between the old accounting methods and the new, and related to the government's requirement that the BBC should reduce its borrowing to zero by the start of the new Charter in January 1997. The euphemism of choice

became qualified by the phrase Michael Starks had used when interviewed: 'within cash constraints and borrowing requirements'. Some argued ^(e.g. Busfield 1995) that the cash crises 'killed' Producer Choice, but that was an oversimplified version of events. Once the providers of BBC resources could demonstrate that their services were just as cost efficient and accountable as those from external providers, then senior BBC executives could conclude bulk deals on behalf of producers without breaking the rules of Producer Choice. But the notion that producers would, over time, determine the size of the BBC, was a chimera.

Here the key question to be addressed is the semantic instability of the term 'Producer Choice', and the multiple associations generated by its everyday use. The ambiguities which surround the term have acted to obscure its purposes and intentions. The objectives of achieving a 'one-off hit on capacity' ^(see part five below) or of 'working in full costs' ^(see part six below) were far easier to realise than enforcing a change in buying and selling behaviour. Many negotiations still took place on the basis of bulk deals because that was what the parties to the deal preferred. The Producer Choice nomenclature was adopted by John Birt more as rhetoric than as reality to show evidence of his intention to change the BBC. In the renewed BBC Charter, the embargo on a certain amount of public debt has been lifted, and the provision of certain commercially-funded services has been endorsed. This is typical of the 'private sector management methods and business-like concepts' brought in to the UK's public sector restructuring ^(see Winstanley, et al. 1995), which the new BBC Chairman ^(quoted in Ariel 21 May 1996) Sir Christopher Bland, endorsed:

There is no question that we need to address our competitive position, particularly on the pricing of facilities, with a certain amount of robustness, and I hope we will do that. I think any organisation that doesn't price according to the market conditions in the end will lose out.

But from a producer's perspective, albeit a critical one in the Drama Department ^(Gannon. 1997), the new conformity of market conditions is still only a matter of rhetoric:

No one gives a stuff whether the producer is theoretically free to appoint the wardrobe mistress and catering company he wants, when the truth is that the system is so inefficient, he can't contract them until a fortnight before the shoot, and so has to take whoever happens to be both available and cheap.

Part Five

An Inbuilt Mechanism to ensure Capacity Reductions

The notion of Producer Choice as a mechanism to reduce costs was widely accepted as being one of the overt reasons for its introduction, even though it was dressed up in the language of choice. Christopher Lorenz ⁽¹⁹⁹³⁾ commented :

Birt's prime method of change has been to force through the creation of an (over-fragmented) internal market through a procedure called 'producer choice'. This is an unfortunate term for what is, in effect, a cost control mechanism.

Mary Goldring ⁽¹⁹⁹⁴⁾ noted, nine months later ^(and see Appendix One March 1995 entry).

Markets are bloody - the BBC has now sacked 3,000 technicians, the bulk of the cuts has fallen on them - thousands, against hundreds in other departments. Producer Choice is an elegant management concept but it's about as sensitive as the old dock labour scheme when men stood cap in hand waiting for work.

Under Producer Choice for three years around £100 million was singled out each year, by cutting excess capacity and trimming down overheads, and put back in to direct programme costs. After what John Smith ^(interviewee, Appendix Four) described as this 'one-off hit on capacity', other mechanisms were needed to find more savings such as the investment in digital production which promises, again, to release more money for programmes ^(see BBC, 1996). But as a cost-cutting mechanism, Producer Choice is still active, as the November 1997 *Governing today's BBC* ^(BBC, 1997 b:11) makes plain:

The BBC operates an internal market called Producer Choice which is designed to ensure that spending matches audience needs and that the BBC's programme making capacity is matched to demand.

The intention of cutting costs has been realised, but the aspiration of matching programme making capacity to demand is still being distorted by the deep-rooted conflict over access to resources which has already been highlighted in this study. Resource allocation is a measure of the BBC's accountability ^(see above, part two of this chapter). When Producer Choice was launched, John Birt ^(1991, and see Starks, 1993) was adamant that the purpose of the licence fee was not to fund a facilities house for the external market, except for the occasional sale of its resources on the margin. Producer Choice anticipated that 15% of the BBC's expenditure on resources would go to the

outside market, and it was on this basis that the calculations of savings of £300 million from the resource base were made. The balance of the expenditure would remain inhouse, within the newly created Resources Directorate that John Birt set up to coincide with the launch of PCTS. To spend more money externally contributed to cash crises, until excess inhouse capacity was trimmed out. To spend less money externally indicated to BBC management that insufficient trading was taking place. The yardstick was 15%.

The BBC can demonstrate ^(see for example BBC, 1997a:44) that its output efficiency ^(see part three above) has improved during the implementation of Producer Choice, but its allocative efficiency targets have been subject to political indecision and delay. Producers speaking at the Edinburgh International Television Festival in 1996 ^(see Gardam, 1996, and others unnamed) considered that employing over 20,000 people in the BBC was still too many. The political consequences of reducing television studio capacity in Manchester, for example, had been thought to be too damaging to implement. The problem of 'double spend' on internal and external resources which capacity reductions were supposed to have eliminated remains. Resources have been 'rationalised' ^(to quote Chandler, 1962:395) but apparently insufficiently. The intention of making the Resources Directorate a fully trading subsidiary of the BBC is seen by some to be the means whereby the excess capacity will be removed ('because otherwise it puts too great a burden on borrowing, and they have to show ROCE of at least 7%', as an unnamed interviewee described it). Others contend that the BBC should have a greater share of the external market. The most visible advocate of this view is the Chief Executive of the Resources Directorate, Rod Lynch, who joined the BBC in 1993. It was Lynch who dismissed the '3,000 technicians' ^(Goldring : quoted above). This represents a reduction in the workforce of approximately 27%, whereas other divisions of the BBC have seen headcount rise ^(see Hellen, 1995). Lynch's view, expressed to his staff ^(Lynch, 1996) was that:

'BBC Resources wants to expand its penetration into alternative markets. By going for growth, we can offer staff a positive and exciting future as part of the leading facilities business in Europe and at the same time guarantee the resource base to the BBC.'

The BBC's *Annual Report* ^(BBC 1997a:42) noted that the BBC remains the biggest provider of television and radio facilities in Britain with a 22% share of the market, that BBC

Resources had retained 78% of BBC business, (a 'dip' of 2% on 1995/96) and that it had won new business such as covering the Grand Prix for ITV, and FA Cup games for BskyB. The report failed to note that 85% was the yardstick measure of BBC business that Producer Choice had intended should remain with BBC resources, nor that the Grand Prix and FA Cup games had, in the past, been not only recorded by BBC facilities but broadcast on BBC channels. The Governors concluded in the same report ^(BBC 1997a:57).

BBC Resources needs to be able to compete for a fair share of the technical resources market. That is the only effective guarantor of its future viability.

To suggest, as BBC Corporate Affairs did when reading a draft of this chapter, that 'there was no double spend' or that 'there was never a net [headcount] reduction target' is to misrepresent both the new policy of BBC Resources expansion, and the high approval rating which the government appointed auditors gave to the BBC, reported under the heading of 'Finance and Efficiency' ^(BBC, 1997a:44). The intention of Producer Choice when introduced was not to lead BBC Resources into new markets but it was to impose a cost-cutting mechanism. It has achieved the latter, and, arguably as an intended consequence of the commercialism of the new Resources Directorate in a rapidly changing business environment, it has also achieved the former. The new Resources Directorate is a prototype for a fully trading organisation which could survive outside of the public sector in which the BBC is currently located.

The governors' endorsement, quoted above, of BBC Resources' determination to be able to compete for a fair share of the technical resources market is linked with viability. Producer Choice could have yielded a more viable Resources Directorate without this type of expansion if its cost-cutting mechanism had been allowed to function in the manner designed for it - closing units which failed to break even, rather than continuing to subsidise them, while the search for new markets was pursued. In December 1995, ^(Lynch, 1995) Rod Lynch told his staff that Resources had to 'adapt or perish'. Perhaps the move to new markets is a final attempt to retain viability, and as large a workforce as possible, within a public sector structure. The outcome of cost-cutting has yet to be fully realised.

Part Six

Programme Budgeting in Full Cash Costs

In the days of the command economy, before Producer Choice, the finance and resource directors knew what everything was costing at the BBC (Checkland, 1994), but they did not allocate the costs down to individual programmes, except for the cash element in a budget which made up, typically, around 30% of programme spend. These accounting practices were common in public sector organisations (Richards, 1994). After the introduction of Producer Choice, programme budgets worked in full costs. This is the feature of Producer Choice which Michael Starks (interviewee: Appendix Four) considered to be the most important, rather than driving costs down or introducing an internal market. ZBB had begun the process, along with devolution of those budgets, but PCTS took this much further, by moving to a cash economy. Not only would all budgets be negotiated in cash costs and benchmarked against external and other internal comparators (such as World Service radio costs versus Network Radio costs made externally and internally), but producers and resource providers would be charged for the use of corporate finance tied up in stock and working capital. Within the 'old BBC' the economy had consisted mainly of 'funny money' - internal debits and credits which bore little relation to the complete costs of goods and services. The 'new BBC' hoped to get rid of funny money as quickly as possible, by working in cash.

The intention of negotiating full benchmarked programme costs in cash has been realised, but there is a growing scepticism about whether or not the bulk deals for the use of resources, or for the use of production departments' programme output, under Producer Choice, are any different from those concluded in the days of the command economy at the BBC. If the London base of BBC resources is expected to retain 50% of BBC production business, or if the Production Directorate is guaranteed a minimum output supply deal of 60% of the Broadcast Directorate's demand, it is difficult to see how fundamentally different that is from 'commanding', through centralised planning, that 50% of the resource demand is fulfilled by the London base, or that 60% of BBC Broadcast's business is placed with the Production Directorate. If resource allocation is designed around maintaining the critical mass of the BBC,

then 'working in cash costs' may seem to many within the BBC as an irrelevance. However, as external business is being sought by all the divisions of the BBC, the cash economy will remain as an important objective to be pursued, despite the hostility towards it expressed by many during the course of this research. For example, there was, in some areas, a snobbish attitude to any form of financial discussions, that they should be left to other 'bean counters' to process; the view was also expressed that being 'prudent with cash' (as the Chairman, Marmaduke Hussey, had urged) might only lead more quickly to privatisation if the BBC were seen to be 'cash rich', and to be operating as a 'normal' commercial enterprise. On the other hand, some of the 'new conformists' welcomed the decision to negotiate in full cash costs because it produced a yardstick of anticipated quality (i.e. a price) which was preferable to an informal conversation about 'what we can do for you' followed by uncertainty as to what had been agreed. The yardstick of price in cash had been at the centre of the Fast Forward simulations ^(see above, p.136-139, within part three of chapter five), and much of the above empirical data about the cash economy had also been a feature of the simulations.

30% of the cost base has been 'put back into programmes', but the planned move to a cash economy was delayed by cash shortages. The 'two currencies', of 'real money' on the one hand, and 'funny money' on the other, continued to flourish, while Corporate Finance reduced the levels of borrowing, funded redundancies, wrote off the value of properties removed from the portfolio, and spent more money outside of the BBC, progressively, from 1993-1996. Managing the cash during this time was likened by one interviewee ^(Mark Oliver : Appendix Four) to the task of 'trying to land a jumbo jet on a postage stamp'. During the implementation of Producer Choice, problems with NCS (New Costings Systems), and their associated IT (Information Technology) packages, were so acute as to jeopardise the entire initiative for a while. Finance Departments exercised negative power, keeping duplicate decision support systems running, and even adding to them. John Birt ^(1995a) acknowledged the shortcomings of the BBC's 'first generation IT-based information systems'. By September 1996 the decision had been taken by senior management to outsource the BBC's finance processes. This is now being implemented in a joint venture with Coopers and the systems firm, EDS ^(see Ariel 17.12.96:3).

The question concerning full cash costs becomes enmeshed in the technicist design of PCTS within an organisational culture where the 'pervasive pluralism ... of the collaborative system based on shared values ... and the managerial structure based on bureaucratic systems' (Burns. 1981: 4-10 and above, part four of chapter three) had been largely unaffected by attempts at organisational change before the introduction of PCTS. The system may have been 'pulled back', in the sense that some volume of internal programme supply is no longer subject to the sort of per programme budget scrutiny that PCTS originally required, as part of its technicist design. If so, this may have been as a result of 'pervasive pluralism' observed during the course of this research, best described as a type of collaborative resistance to the logic of full cash cost negotiations, when work on some programmes had to start in advance of commissioning because of delays in decision-making, and work on other programmes was finished before final budgets, including co-production monies, or investment from other parts of the BBC, had been agreed. There was also evidence of rising transaction costs, tackled partly by reducing the number of business units (see below, part seven) and partly by improving management information systems, with, for example, the outsourcing arrangement with Coopers and EDS mentioned above.

The McKinsey reforms in the early 1970's (see above, part three of chapter four) took place within the context of an organisational hierarchy with a multi-divisional structure, known as 'M-form'. In the early 1990's, the reforms at the BBC were concerned with marketisation, designed partly to flatten the organisational hierarchy, but not necessarily to abolish it. As has been discussed above, the tension between the logic of outsourcing that Producer Choice seemed to herald, and the bureaucratic necessity, or the survival imperative, of maintaining critical mass represents the heart of the problem of Producer Choice. As Williamson (1975, paperback edition, 1983: 132-154) points out, the 'M-form' structure can become 'corrupted' by general management getting involved in the day-to-day operation of the divisions with the result that information costs will be forced up. Williamson's solution is for the divisions to decentralise into true profit centres in which each divisional manager's performance can be accurately evaluated without the allocation of heavy corporate overheads. If the change from the corrupted M-form cannot be achieved and the information costs remain high, then market

transactions will become more attractive. It can be argued that the policy of ZBB and budgetary devolution and Producer Choice that Michael Checkland espoused from 1989 to 1992 during his time as Director General of the BBC was an attempt to tackle the problems of the 'corrupted M-form' and introduce a more open organisation. Checkland ⁽¹⁹⁹⁴⁾ said: 'I wouldn't have gone as far in Producer Choice - I would have concentrated on network television, where the money is'. Had Producer Choice not been extended to the whole of the BBC ^(finally reaching BBC Worldwide in 1995 - see *Appendix One*) it is highly unlikely that a cash economy would have been imposed throughout the BBC. It can also be argued, although no-one interviewed for this study would admit that this was the case, that the decision to extend Producer Choice throughout the BBC was because, despite budgetary devolution and the pilots of Producer Choice in certain areas, information costs were still too high, the M-form remained 'corrupted', and so the Williamson prescription of market transactions was pursued. These transactions require 'real' not 'funny' money. They provide transparency, for accountability purposes, and as a prelude, if desired, to privatisation.

Will Wyatt ^(interviewee : *Appendix Four*) agreed with the statement that budgets could have been devolved without the ability to spend them externally, but said: 'this would not have exerted the same downward pressure on costs'. Working in full cash costs has permitted a realistic comparison between the costs of internal and external supplies, and it is a pre-requisite of the BBC as an organisation offering services to the external market beyond those administered through BBC Worldwide. Working in full cash costs has also had a profound effect at the behavioural level on how some people see themselves after the advent of Producer Choice, working in a public sector organisation where cash is intended to be the economy for all transactions. As Alan Yentob, director of television in the new Broadcast Directorate, and a long-standing member of BBC staff, wrote ^(Yentob, 1996) :

'once you understand how much a programme is valued in money terms, you get a clearer grasp of its value in the deeper sense. You can make true choices about what matters most'.

Part Seven

Reduce Bureaucracy

When John Birt became Director General in January 1993, he promised to create an institution 'in which baronialism and bureaucracy are dirty words, where fudge and fix-it, hostile leaking, and secretive and manipulative behaviour become techniques and tactics of the past' (Birt, 1993a: 34). Decisions in the 'new BBC' would be made on the basis of high quality management information, and not on 'the skills of supplicants at some Byzantine court where no-one knew what anything actually cost' (Birt, 1993b). Rational control systems operating from a strategic centre would drive Producer Choice towards its logical conclusion, a smaller and less bureaucratic BBC.

Investigating this aspect of the change programme associated with Producer Choice illuminates problems of measurement and evaluation. Michael Checkland (1994) stated that he thought there was far more bureaucracy at the BBC with John Birt as Director General, than when he was Director General. This view was supported independently by one of the consultants (unnamed: Appendix Four) who said 'the perception and reality suggest there is greater bureaucracy, meetings and paperwork than ever before'. The counter argument to this, from John Birt, is that bureaucracy was engrained in the old BBC. The expression he uses is: 'it's a long haul' (Birt, 1995a). One BBC executive (unnamed: Appendix Four) close to the implementation of Producer Choice explained that whereas the Resources Directorate was able to focus on a new managerial style with a new Chief Executive because it had to 'adapt or die', the production directorates remained 'set in their old ways' because they were assured of the need for their product by the licence fee payer, regardless of how they were organised. Anthony Smith (interviewee: Appendix Four), President of Magdalen College, Oxford, also close to BBC affairs, and a former television producer, described the matter of bureaucracy somewhat differently in October 1995:

Produce Choice was a very ingenious device of change ... similar to that which happened in Hungarian State Television, where getting rid of the old communists involved exploiting the tool of the marketplace... But, after the McKinsey reforms of early 1970, the BBC continued to operate as a well-run bureaucracy, adjusting itself, **as it has always done**, to prevailing enterprise orthodoxies. (*emphasis added*)

Colin MacCabe, ^(interviewee: Appendix Four) observed in November 1994 that 'the historical triumph' of the BBC was the survival of its 'Byzantine bureaucracy' combined with its 'devolution of creative autonomy'. This comment can be interpreted as a version of the 'pervasive pluralism' of bureaucratic structure and collaborative system that has already been considered above. MacCabe's concern in 1994 was that there was growing evidence ^(quoted later in BFL 1997) to suggest that although bureaucracy was still present at the BBC, creativity was under threat because Producer Choice's rationale was a 'market economy, not a state subsidy'.

Another observer ^(unnamed: Appendix Four) closely involved with the implementation of Producer Choice said: 'It is in the BBC's way to make everything bureaucratic'. He questioned whether the contractual relationships for the internal market of Producer Choice could ever have been expected to supersede the roles of bureaucracy and supplicancy. The vision of Producer Choice as set out in its *Guidelines* ^(BBC, 1993a) is that such a transformation is possible. With television production carried out by a separate directorate, bidding for external work as well as internal, and with the Resources directorate operating as an independent profit centre, the trend towards marketisation will continue. However, the likelihood of 'information impactedness' ^(Williamson, 1975: 31-33) remains if the BBC's difficulties with its information systems persist. If they do, the 'pulling back' of Producer Choice will become more overt, because, to follow Williamson, 'there will be a shift from market to hierarchy in order to curb opportunism', and bureaucracy will remain, as before, underpinning (in the case of the BBC) both market and hierarchy.

As has already been pointed out, however, the ostensible intention of Producer Choice was to reduce bureaucracy, and to encourage responsible trading relationships to take its place. There is evidence ^(Crozier, 1964: 187-198) within bureaucracies that the vicious circle of adherence to the rules with its power struggle for control over areas of uncertainty is responsible for bureaucracy's inability to transform itself without crisis; crises perpetuate the fear of direct authority and arbitrariness, and they create a new demand for authoritarian reformer figures in the midst of the bureaucratic routine; crises can occur at appropriate times in order to upset the power equilibrium and provide good

opportunities for effecting long overdue changes. If this function of crises within bureaucracy is applied to Producer Choice, it confirms that crises can be used to transform a bureaucracy rather than reduce it to some lesser organisational role.

This function of crises sits comfortably within the rhetoric of BPR (see *Appendix Two*), as does the function of scapegoating the past. John Birt (1993b) could justify the criticisms levelled against Producer Choice in its first year of trading on both counts - firstly, the system was provoking a crisis, and secondly there was something wrong with the way it had been constructed which could be remedied:

Producer Choice has been characterised as bureaucracy gone mad ... of course there are teething troubles ... I came across a department which has been charging for individual batteries ... that does not make sense and it is the exception ... now that we know at last how much each of our departments costs to run, and what the demand is for their services, I will be prompting mergers to reduce the number of business units, and therefore the volume of trading within the BBC.

The number of business units was reduced from 481 in April 1993 to 198 in April 1994, ostensibly after the overheads had been 'fully mapped' (Clout, 1994: 40-41). But there were several people interviewed for this study who considered that the numbers of business units should not have been permitted at a level above 200 in the first place. They also considered that the numbers of business units which John Birt (quoted above) blamed for the perception of over-bureaucracy did not provide the only reason for the perception that Producer Choice had created more bureaucracy. They said that layers of management were being added, particularly after the restructuring of resources, broadcasting and production, and they pointed to the increase in staff posts in management grades which seemed to be unrelated to programme making. The Board of Governors in 1993 (BBC, 1993:13) also expressed concern about a 'new bureaucracy':

Over the coming year we will require assurance that the control systems are robust; that managers are using the newly provided financial information to achieve further efficiency gains; and that no new bureaucracy is emerging to replace the one so recently dismantled.

One of the chief characteristics of bureaucracy identified by Weber (Gerth and Wright Mills, 1948:223) is the 'concept of the official secret'. Despite John Birt's expressed hope (quoted above) of creating an institution where such a tactic would be a thing of the past, it is

clear from this study that secrecy, like bureaucracy, is still engrained in the BBC. The pervasive pluralism of shared values and bureaucratic necessity has permitted the survival of the culture of secrecy to the extent that the failure of open access to information has not inhibited the production process unduly. From the institutional perspective of reforming the BBC, the new chairman of the BBC admitted that introducing change was dogged by an 'obsession with confidentiality' (Sir Christopher Bland, addressing VLV conference, June 1996). John Birt's attempts to build a new top team which is a central platform of his reforms have not been immediately successful. When Birt's appointee Liz Forgan, Managing Director of Network Radio, left in February 1996, Stephen Glover, of *The Daily Telegraph*, (speaking on Radio 4's programme *Mediumwave*) said: 'There is a culture of secrecy - no BBC reporter would fail to investigate this sort of departure in another organisation'. Pettigrew and Whipp (1991: 141) highlight the critical part of leadership as process - 'the transformation of the top executive team from a collection of rival advocates on behalf of individual businesses into a cohesive body of directors of the group's best interests'. The culture of secrecy permitted John Birt to pursue his efforts at transformation without consultation with his peers on a number of occasions, ranging from the announcement of the Resources Directorate in January 1993 to the restructuring of World Service in June 1996. His intention may have been to reduce bureaucracy at the BBC from the technical perspective by introducing Producer Choice, but enhancing bureaucracy, from the political perspective, was profoundly useful to him in career terms. Bureaucracy served as both a scapegoat, and as a prop for the enduring culture of secrecy where access to information remained a symbol of power that was limited to few people within the organisation.

Part Eight

A Better Managerial Focus

The final key feature of Producer Choice was to focus senior staff executives on the managerial responsibilities of being part of the BBC. It was in order to achieve better managerial focus that the Resources, and later the Broadcast and Production Directorates were established, each to be run by a Chief Executive Officer with the obligation to conform with the control systems imposed by the strategic centre of the BBC. Recognition for senior managers doing a job well was earned by reference to the accountability measures and to the working of Producer Choice. But, recognition could also be earned by focussing on the challenge of the new global and technological opportunities that presented themselves, and attempting to 'grow' the bottom line, rather than keep shrinking the cost base. Senior managers realised that they could no longer take for granted the levels of business activity needed for survival. Staff below senior management level were expected to accept the new direction being set for them without complaint. The managerial focus that Producer Choice encouraged led the BBC away from a concern with theories of public service broadcasting ^(Cave 1985:28) and towards theories of the profit-maximizing firm ^(see Amit and Schoemaker, 1993).

In the course of the interviews conducted for this study on Producer Choice, many people said: 'John Birt is trying to change the psychology of the BBC'. Undoubtedly, Producer Choice was the engine of change designed to achieve this, because it placed commercial behaviour at the core of BBC procedures. The business training provided to senior managers has made them particularly aware of the subtleties of management as a social practice, rather than as a technology. For example, Mike Lumley ^(interviewee :Appendix Four), a senior Resources executive who, during a lengthy career at the BBC, has seen change programmes come and go, commented:

'there has been a significant cultural change driven by the fact of trading ... Producer Choice delivers a new structure for what the organisation now needs in this climate of constant change. When Producer Choice went live, we realised that the perfection of the model would be unlikely to resemble what was defined for it - the reality of the emerging environment would be different... but, it's taken about two and a half to three years for the mindset of staff to catch up.'

Concerns over staff morale could be accommodated by senior managers if they focussed on the 'coping cycle' (Camall, 1990:141-3) which reassured them that staff would go through denial and defence stages before discarding the old, adapting, and then internalising the new. Senior managers could also be assured that the 'HRM approach' (see Pettigrew and Whipp, 1991:107) 'is not amenable to instant construction - a longer-term learning process is involved which requires the creation of successive positive spirals of development'. To see how the psychology of the BBC was changing, and to measure these types of spirals, the BBC's 'Effectiveness Project', designed to introduce the HRM approach, included Staff Surveys managed by the U.S. firm of consultants, Warner Burke (see Rusbridger, 1994 and Schaffer, 1988). Their results served to confirm what Merton (1938 a : 255-6) described as the 'process of sanctification: in which, through dependence on sentiment formation, bureaucratic symbols, status, and affective involvement in spheres of competence and authority, prerogatives develop involving attitudes of moral legitimacy which become established as values in their own right. These values are no longer viewed as merely technical means for expediting administration - they become goals in themselves.' In the staff survey summaries, this translated in to more simple terms such as 'staff love working for the BBC', or in individualistic terms: 'It's a maddening place, but I love it'.

Against this process of sanctification, two particular commentaries on the staff surveys seem misguided. The first (Lorenz, 1993) criticised the Effectiveness Project as follows:

There is not enough buy-in or ownership - this is not done by diktat and cursory 'sheep dip' re-training for staff ... For this to work, open debate must be encouraged - If all this has proved necessary in multinational machine bureaucracies, it is even more vital in a creative 'know-how' organisation such as the BBC. Birt's apparent failure to recognise this so far - or to apply it effectively - has contributed heavily to the very poor state of staff morale which was all too evident in the employee attitudes survey published on Friday.

The second commentary, from the *Annual Report* (BBC, 1997: 47) noted:

We have more to do in strengthening the relationship with our staff. The BBC's annual survey shows that most staff are proud to work for the organisation and are generally satisfied with it as an employer. But more of our employees have become dissatisfied with the way managers communicate with them. In 1995, 75% thought internal communication was getting better or staying the same. The figure has since dropped to 59%.

These commentaries are misguided because they assume a positive relationship between job satisfaction and improved levels of communication when the opposite, as far as the BBC is concerned, could also be argued - namely that the culture of closure and confidentiality contributed to the process of sanctification and to the generally held view that staff loved working for the BBC despite (or perhaps because of) the failure of middle management to provide better information or insight about the future direction of the organisation. The BBC is a closed organisation where change has been introduced in a mechanistic way without affecting the endemic culture of secrecy or the pervasive pluralism of collaboration and bureaucracy that are two hallmarks of the BBC as an organisation. The attempts fundamentally to change the psychology of the BBC have been unsuccessful. Outsiders, like Lorenz ⁽¹⁹⁹³⁾ and Culf ⁽¹⁹⁹⁵⁾ fail to understand this. As Michael Attwell ^(quoted in Brown, 1996) said:

What strikes all outsiders is the BBC's confusion of objectives and responsibilities, all hallmarks of a poor management, moulded by a culture which elevated programme makers. This remains untouched by Birtist programmes of Producer Choice, efficiency drives and new layers of accountants.'

John Birt has remained immune to the persistent criticisms of his style as Director General of the BBC. His salary has increased by 96% in the five years, 1992/3 to 1996/7. In his report ^(BBC, 1997:12) he wrote:

The restructuring has left us better equipped to exploit our strengths. BBC Broadcast is drawing us ever closer to our audiences. BBC Production is striving to make even better programmes. BBC News is becoming a global force.

The critical perspective on that restructuring has been marginalised through the culture of secrecy and the climate of fear ^(Checkland, 1994, and see Barnett and Curry, 1994:232) that prevent open debate taking place. The perspective is well summarised by one former BBC employee who chose not to be named ^(Appendix Four) when interviewed:

Creativity has been managerialised. Amateurish but enjoyable collegiate discussions no longer happen. An underclass of jobbing producers, or even totally casualised researchers doing the hunting and gathering, are hired at short notice to deliver to a brief using their own recording equipment - it's a new type of alienation in the production process. The goal is for the BBC to be a global software house based on strong relationships with the gateways, not the workers.

For the future of the BBC, however, the need to become a learning organisation has not diminished, if predictions about competitive strengths in the 1990's ^(for example, from Pettigrew and Whipp 1991:238) are correct:

It is the ability to shed out-moded knowledge, techniques and beliefs, as well as to learn and deploy new ones, which enables firms to carry out given strategies. To do so faster than one's competitors is likely to become one of the cardinal determinants of competitive strength in the 1990's.

Perhaps this prediction, too, will prove to be misguided in the context of the BBC, if the bureaucratic necessity associated with public service remains to support the culture of secrecy and the process of sanctification that permit the sort of collaborative working relationships that Michael Attwell ^(quoted on previous page from Brown, 1996) described as a 'culture that elevated programme makers'. However, the opinion of Alan Yentob ⁽¹⁹⁹⁶⁾ suggests that will not be the case:

'The process of making economies may have been too dragged out, and the nerves of people worn too thin. ... We've had to change, not for the sake of change, but to survive - and we have to go on changing. We've still got a lot of learning to do'.

John Birt received the accolade of an International Emmy for his contribution to broadcasting ^(see Appendix: One November 1995 entry) that recognised the power of his vision for the BBC's role in the twenty-first century. What commentators in general agree on, as the twentieth century has about two years to run, is that his vision has not been embraced by the people who work for the BBC in sufficient numbers to make an observable difference, as yet, to the culture of the BBC. Schein ⁽¹⁹⁹⁶⁾ is quite clear that

If culture change occurs, it does so as a by-product of fixing the fundamental problems that the organisation's leaders identify and the new strategies upon which they embark. ... If the present culture really prevents correcting the business strategy in some fundamental way, that culture will be broken up by destroying the group and eliminating the culture carriers, or the organisation will fail and die.

Critics of Producer Choice would say that breaking up the BBC has been John Birt's intention, in collusion with the government which sees the licence fee as an oddity. It is too soon to predict the future of the BBC in the twenty-first century, but the evidence presented in this study suggests that, like the visual metaphor of its

headquarters in London, *s.s. Queen Mary*, the BBC is an organisation which is difficult to turn round. The organisational hostility to transformation is perhaps wilful, in order to secure survival, still as an oddity, in an industry sector where niche channels and the merger of delivery systems in to one computer receiver in the home threaten the product base of public service broadcasting. The managerial focus on market behaviour associated with Producer Choice is perceived by many who wish to protect public service broadcasting to be part of a threat to BBC survival, rather than a recipe for survival.

Part Nine

Summary - The Motivating Factors behind Producer Choice

Producer Choice in its original design and as endorsed by Michael Checkland (Birt's predecessor as Director General of the BBC) instituted a trading system which would allow a devolved approach to resource allocation. However, the change programme was driven not by the invisible hand of authentic markets, but by a highly rationalist and centralised planning paradigm which created an internal market (see Holtham and Kay, 1994 and Reed, 1995). Producer Choice adopted the language of the market, but it did not resemble the real market outside. Producer Choice was subject to the 'Utopian' rhetoric of re-engineering (see *Appendix Two*), and it failed to establish a new production paradigm (see Kuhn, 1970 and Willcocks and Grint, 1997).

The findings presented in this chapter suggest that the rationalist concepts of organisational change embodied in Producer Choice failed to apprehend the processes of ambiguity and unintended consequence that sit alongside any rationalisation of resources (see Chandler, 1962, Burns 1977 and Reed, 1989). The subject of resource allocation in this study was introduced by way of a review (see chapter two, above) that considered the enduring nature of bureaucracy ('structure'), the perceptions and realities of changes in public sector management ('agency'), and the transition from a hierarchy to a market economy ('agency and structure'). The review in chapter two and the salient points about resource allocation which have been presented in this chapter are inter-related. The nature of bureaucracy at the BBC is enduring; the BBC's imputed organisational transformation is mostly a matter of perception; and the market economy of Producer Choice has involved a new type of exchange based on cash transactions, rather than on the barter of resources for programmes which characterised the command economy at the BBC before the introduction of Producer Choice. This new type of exchange provides for a new agency and structure at the BBC, if required : privatisation.

The intention of Producer Choice was to introduce an internal market at the BBC which would provide better transparency of cost than hitherto. But the internal market was not stable, partly because it was initiated in a heavy-handed, 'top down'

manner, and partly because it did not root out the old ways of working. Affection for the BBC and the power of its patronage has been unaffected by Producer Choice. The context of change has moved on to embrace 'the Digital Age' (BBC, 1996), leaving behind the language of 'efficiency and effectiveness' (Bir, 1993a) that dominated the internal debate at the BBC about Producer Choice and the renewal of the BBC's Charter as a public service broadcaster.

If studies of organisational change should be about process (see Legge, 1993) then this study has shown that the process of designing and implementing Producer Choice was enveloped within the agency and structure of market economics, and within that nothing stands still. Producer Choice was designed to prove that change could happen at the BBC, and for a time, the organisation reeled under its influence. Now the BBC is restructured, and producers have choice to deliver programmes outside of the BBC's public service terrestrial channels. Change may be a bruising process, but it is also an ongoing process.

CHAPTER SEVEN -

SOME ANALYTICAL GENERALISATIONS ON THE MANAGEMENT OF CHANGE : A POSTSCRIPT

This study of the reforms at the BBC known as Producer Choice has revealed an underlying ambiguity about their purpose. The ambiguity stems both from the process of change by which intended outcomes were not necessarily achieved, and from the Janus-faced quality of the internal market. Producer Choice could provide a stepping stone towards privatisation, or a sophisticated barrier to such privatisation, protecting the financial base of a public sector organisation within a quasi-administrative hierarchy. The utility of the internal market is that it can preserve this ambiguity and protect organisational choice. If marketisation is preferred, then the use of money needs to supplant barter as the form of exchange mechanism; if hierarchy is preferred, then the value of goods and services can be quantified in something other than cash. The measurement of value is usually expressed in cash terms, but it need not necessarily be so. Quoting Williamson ⁽¹⁹⁷⁵⁾ on transaction costs, this study has already considered the possibility that an administrative hierarchy might provide more complete information about an organisation and its costs of operation, than pertains under conditions of quasi-market trading including opportunistic behaviour, information impactedness and problems of bounded rationality. A market needs cash as its currency but a hierarchy does not. An internal market can use both cash and barter as measurement terms and as exchange mechanisms. If organisations in the public sector need a money exchange mechanism in order to establish partnerships with the private sector, the trend in the public sector will continue towards markets. If they do not, the trend may reverse towards bureaucracy and administrative hierarchies in order to save on transaction costs. These findings about bureaucracy, the management of change, and marketisation emerge from the study of Producer Choice, but they are not limited to it.

In the 1980's it was axiomatic that organisational change would involve a reduction in bureaucracy. Production inefficiencies and cultural inertia were blamed on bureaucracy. In the public sector, it was assumed that in moving away from

bureaucratic organisational forms by such methods as the introduction of internal markets, bureaucracy itself would diminish as an organisational force. After marketisation, the fact that bureaucracy remained seemed to cause surprise. Morgan and Potter ^(1995:169-170) commented on the NHS reforms that:

the recent proposed changes to the health service can be seen as being an attempt to change the organization's culture in the broadest sense, from a role or bureaucratic culture to one based on task or goals ... Despite this, many people feel that the NHS has become even more bureaucratized because of the new reforms ... for this and other reasons, many health service institutions still operate very much like bureaucracies.

Martinez ^(1995:246) noted similar unintended consequences in reforms in the Royal Mail:

The different uses of the customer and new forms of employee involvement along competitive lines were being rearticulated within the politics of work ... The advent of the market and its representation within the employment structures of Royal Mail have activated and not necessarily marginalized the traditional institutions they were intent on reforming.

Giddens argues ^(1987:162) that as organisations grow in size there is always a tendency towards hierarchy. Reed ^(1989:26) notes there is always tension between the logic of bureaucratic control and the operational demand for coping devices that radically undermine this control. A parallel example of this tension is Burns's ^(1981:3-10) pervasive pluralism in which two key sub-systems can be identified: the collaborative system, based on shared values, and the managerial structure based on bureaucratic systems. These are theoretical issues which relate to the behavioural issues arising from this research. Both suggest that there are values and processes which support the durability of bureaucracy as an organisational form. In this chapter, three behavioural issues are examined: firstly, 'the process of sanctification' which yields a professional affective involvement in the preservation of the status quo; secondly, the function of efficiency savings which may be achieved at the expense of political cohesion; and thirdly, the option to supplant barter mechanisms of exchange with cash mechanisms whose behavioural consequences may undermine the case for internal markets.

The Process of Sanctification

Within a bureaucracy, the 'process of sanctification' ^(Merton, 1938a:255-6) represents an affective involvement in spheres of competence and authority which assume a moral

legitimacy in their own right - these values become goals in themselves, rather than the means whereby goals are achieved. An affective involvement arising out of the process of sanctification poses an organisational dilemma if organisational change is to be carried out.

The McKinsey Corporation advocate 'shared values' as one of the seven characteristics which organisations going through change must 'get right', along with strategy, structure, style, staff, systems and skills. It is assumed that shared values can be re-engineered in some way to be consistent with, for example, a new organisational direction towards marketisation. However, the Mertonian 'shared values' of affective involvement, deeply embedded in the status quo of a bureaucracy are very difficult to alter. Crozier ^(1964:196) considers that only a crisis can bring about change in the status quo of the bureaucracy. Schein ⁽¹⁹⁹⁶⁾ suggests that carriers of the old organisational culture may have to be eliminated altogether if a new culture is to emerge to fit a new strategic direction. Breaking hierarchies up into divisions can provoke sufficient of a crisis to bring about an element of change, and many of the old 'culture carriers' may be induced to leave the organisation, and yet despite these radical moves to alter the organisation, the process of sanctification will remain.

The resolution of the problem of the apparently deep organisational phenomenon of sanctification which resists change might involve a reworking of the concept of shared values. Instead of asking what shared values should this organisation have in the future, the concept should start with asking what defines affective involvement in the first place. The definitions may reveal Reed's tension between the logic of bureaucratic control and the related 'coping devices', but they are more likely to indicate Burns's pervasive pluralism of a collaborative working relationship and a bureaucratic necessity. Once defined, the definitions should then aspire to become the shared values of the organisation in the future. If the existing affective involvement is ignored, then the organisation may introduce change in a mechanistic way, making little difference to the underlying cultural strengths or weaknesses of the organisation. On this view, the process of sanctification may be seen as an organisational survival mechanism which should be utilised for that purpose.

Efficiency Savings at the expense of Political Cohesion

In so far as the management of change in the 1980's involved a shift from hierarchy towards marketisation, there were ways in which marketisation could be introduced, most obviously through the setting up of trading divisions between resource purchasers and resource providers, that could present the perception of change for political purposes without altering the cultural base of the organisation. The shift involved in such a change need not, necessarily, involve a 'paradigm shift' from producer to consumer. As described above, the process of sanctification can protect the status quo. Divisionalisation can yield efficiency savings and evidence of structural change which might disguise the underlying resilience of the status quo, offering the required perception of change, rather than the reality of a different relationship between resource purchasers and resource providers. The 'zero-sum' quality of conflict over access to resources that 'greatly diminishes the possibility of an outcome that satisfies all the parties' (Hill, 1981:259) would seem to be resolved in the case of the BBC's internal market by the bidding process which involves both fund-holders and fund-providers. This process of resolution is based on a direct relationship between the costs of overheads and the recovery of those costs from the ultimate users, as well as the direct costs of production.

However, the savings which the bidding process has achieved have been at the expense of the organisation's political cohesion. Divisionalisation is consistent with fragmentation, and disaggregation, which explains why in a deep-rooted cultural sense, it can be opposed by the survival mechanism of the process of sanctification. Divisionalisation can ease the passage of a public sector organisation towards trading with the private sector. This has certainly been the case with Producer Choice because BBC public funds can be allocated to resource providers in the private sector, such as independent producers as well as independent facilities companies which are both in direct competition for funds with internal resource providers. The relationship between resource allocation and creativity, historically buttressed by the BBC's command economy and the critical mass of its production base, has shifted dramatically towards disaggregation. The networks of emerging partnerships with the private sector, based on cash contracts between rival entities, may be more fragile than

the former network of collaboration within the hierarchy. These are areas of high risk. They help to explain why public sector organisations may yet return to administrative hierarchies, allowing new cultures to grow within bureaucratic systems, rather than opt for a thorough going endorsement of the free market.

Internal Markets and Working in Cash Costs

The relatively high transaction costs deriving from bounded rationality, opportunistic behaviour and information impactedness associated with marketisation and noted above (p.171) have recently been challenged by new institutional responses. These include: contracting, bidding and benefit taxation (Lane, 1993:83), the successful coordination of knowledge and information (Starkey, Wright and Thompson, 1991:168-174), and the externalisation of transactions and the sharing of costs throughout the network of collaborative partnerships, based on high trust (Castells, 1996:193 and Fukuyama, 1995:195). In the public sector, Le Grand (1993:33) notes that if quasi-markets are to work there needs to be competition, information and checks on transaction costs. None of these authors draws particular attention to the possibility of a return to hierarchy, and yet the findings presented in this study suggest that for certain organisations in the public sector this option will be pursued. This is especially the case if the organisation has retained the option to barter its goods and services, rather than be paid in full cash costs for the value of the goods and services.

The study has noted that the negotiation of bulk deals between the contracting parties under the trading system of Producer Choice was permitted once it had been established that the cost of the deals was similar to benchmarked tariff prices for the required programmes. The bulk deal can disguise the elements within the cost that are bartered goods. In this way, the costs lack transparency. One consequence of this is that the organisation will continue to 'double spend' on preserving the ability to offer bartered goods and services (i.e. not fully costed in cash) and on paying in cash for other goods and services elsewhere in the value chain. Another consequence is that potential network partners, and other external suppliers of goods and services to the organisation can be baffled by the charging arrangements. This encourages opportunistic behaviour on their part.

The above characteristics of the internal market provide further evidence of the need to work in full cash costs if progress is to be made towards marketisation. In behavioural terms, the retention or re-emergence of barter mechanisms will distort the perception of organisational change, and make a return to bureaucratic systems of control more likely. Market transactions can challenge the enduring nature of bureaucracy if they resolutely employ cash as the exchange mechanism between supply and demand, rather than any form of barter exchange. The internal market represents a staging post between hierarchy on the one hand, and free market on the other. It is also an unsatisfactory hybrid in that it can permit a currency of barter which prohibits transparency of costs.

The need for cash rather than barter exchange mechanisms is likely to become more pressing in the context of globalisation, and the partnerships between public and private ventures that are an increasing feature of market economics. Metcalfe and Richards ^(1993: 107-113) note that the task facing European governments is to make the transition from existing administrative cultures to public management cultures, in part to facilitate such convergence between public and private that joint ventures represent. However, the standards of accountability required of public service are higher than those in the private sector and it is far from certain that 'excellence' in public management means the same as it does in business. The question for public sector organisations who have the option to move towards the private sector therefore becomes whether to attempt to lever up the standards of the private sector to that of the public, or to lever down to the private level? The tendency would be to lever down, if the move towards the private sector seemed inevitable, as this would represent substantial savings on accountability measures.

The irony of efficiency drives that result in a lowering of public standards should not be dismissed. The same could be said of quality in general - it costs money to produce goods and services of quality, and ultimately efficiency drives that save money compromise this aspect of quality. The preservation of quality from the producer's perspective involves freedom to fail; the preservation of quality from the consumer's perspective involves diversity of choice, access to information and a confidence in the

brands on offer - things which are far less tangible than the freedom to fail. Shifting back towards hierarchy is desired more by producers than by consumers, because the producers can benefit directly from the relationship between a command economy and the money allocated for production purposes. Governments, claiming to be acting on behalf of the consumer, seem to prefer marketisation and a bidding process, because they can offer transparency of costs. This study suggests that cash needs to be firmly placed within that equation: 'marketisation equals transparency', otherwise governments may find that the organisational pendulum will swing back towards hierarchy. In such an environment, true costs might be better known, and organisational cohesion might be better valued, but bureaucracy would endure.

APPENDIX ONE

Chronology: The BBC and the Broadcasting Landscape, 1996-1985

- 1996 Legislation enabling new 10-year BBC Charter to run from 1.1.97
Licence fee assured for five years, loaded to yield no real increase above RPI
- 12.96 *Ariel*, BBC house magazine, edited for one week by a staff co-operative:
Their Mission statement explains: 'The BBC is increasingly a diverse,
divisionalised entity ... The days when we shared a common experience
that could be articulated in a common language are rapidly fading'
- 09.96 Resources Directorate to be a separately trading subsidiary similar to
BBC Worldwide by April 1997 (delayed by Board of Governors to April 1998)
- 06.96 Split between Production and Broadcasting finally confirmed. Public
outcry over changes in World Service whose efficiency as a separate
division of the BBC had been confirmed by successive government audits
- 04.96 Chairman 'Duke' Hussey succeeded by Sir Christopher Bland, a former
colleague of John Birt's on the board of London Weekend Television.
- 12.95 Draft Charter and Agreement published - role of governors as guardians
of BBC standards strengthened; transmitters to be privatised at a date
to be announced, sale to be managed by the BBC who will retain most of
the proceeds for investment in digital television infrastructure.
- 11.95 John Birt receives an International Emmy award for his contribution
to broadcasting, such as Charter Renewal and his '21st century vision'
- 11.95 Fifth terrestrial (commercial) TV channel awarded. The bidders who
failed the quality threshold seek judicial review of ITC decision.
- Responses to Green Paper on Digital Terrestrial television reveal demands
for broadcasters to be allowed to operate the multiplex sites, and for the
government to set a date when analogue transmission would cease
- 04.95 Start of last BBC full financial trading year prior to Charter Renewal.
- Closure of Engineering Division (absorbed into Technical Services)
- PCTS (Producer Choice Trading System) implemented in Worldwide
- 03.95 BBC year end information leaked to press suggests BBC borrowing is now
down to £80 mn, from August '93 'high' of £183 mn. (confirmed in
Annual Report July 95) Also £9mn spent on consultants for efficiency measures
& £55mn allocated to 3,000 redundancies in resource providers' division over
three years; job cuts elsewhere in BBC total 2,000 over six years, '89-'95;
BUT Annual Reports April 89 to March 95 reveal net reduction in headcount
(excl. subsidiaries) at a lower level (3,312 rather than 5,000) = 13.75% reduction
- 6-week moratorium on commissions because of 'Cash Crisis at BBC' (Busfield, 1995).
- 02.95 G7 Conference on Information Superhighway in Brussels.
- BBC Programme Strategy Review published after spending twice as long as
intended over information gathering; House of Commons debate
endorses Charter Renewal after Select Committee hearings.

- 02.95 Television Production Efficiency Study phase 1 completed by Coopers & Lybrand.
New grading system implemented (20 grades reduced to 11, with limitation on automatic increments + pay and conditions bargaining at local directorate level; other provisions amended via ACAS after May '94 strikes).
- 01.95 World Service Television renamed BBC World; BBC Prime launched in Europe, both are subscription services via joint ventures, approved by the government.
- 12.94 Second annual staff survey (published in *Ariel* 27.6.95 - little change from the first)
- 11.94 New Costing System, (NCS) IT driven, pivotal to PCTS, to be overhauled.
Stephen Dorrell, Secretary of State for Department of National Heritage pledges to support licence fee, provided reach is minimum 50% (currently at 95%), and says (to VLV audience): "change is a bruising process, but I have no doubt whatever that the changes have resulted in a better organisation than the one that went before - this is my strongly held view".
- 07.94 White Paper^(DNH, 1994) on the BBC: Serving the Nation, Competing World Wide'
- 04.94 Second year PCTS - number of business units reduced; further charging out of overheads & ?for finance; World Service User Choice converts to hybrid PCTS.
- 02.94 "Breakthrough" Fair to display Extending Choice Effectiveness programmes.
"Managing the Future : People and Reward" re pay and conditions published.
- 01.94 First Annual Performance Review (KPI's introduced for all staff above Band 4)
- 12.93 BSkyB pays out profits for the first time (£50 mn) (up to £177 mn in Aug. 94).
- 11.93 Demos pamphlet by Ian Hargreaves calls for privatisation of BBC to enrich it.
- 10.93 Touche Ross report commissioned by HMG recommends retain licence fee, but BBC should eliminate borrowing by 1.1.97 (PSBR at £42bn in '93, its highest point)
PCCP (Producer Choice Change Programme) formally closed down; Project Director, Michael Starks, moves on to Market Testing, then to Digital Projects
- 08.93 Dennis Potter attacks Chairman and Director General as "croak-faced Daleks".
- 07.93 Charter for Independent Producers; new Accountability commitment from the Board of Governors and a revised Programme Complaints procedure.
BBC Efficiency savings from production facility closures estimated at £24mn in capital expenditure over four years, and £13 mn in running costs to 96/7.
- 04.93 PCTS goes live (+ NCS after delays). Commissioning/scheduling separate from production and from resources/overheads, i.e. all inter-trading b.u.'s.
BECTU president Tony Lennon says of PCTS: "...The BBC will operate more like its commercial rival Sky TV than as the public service broadcaster it is meant to be... Programme departments...are to be combined into bi-media groups...entirely separate from the resource base of the BBC which has been pulled together into a massive 8 or 10,000 strong facilities company...full time jobs are being replaced with contracts...PC will fail"

- 03.93 NCA Futures, the last of three "Fast Forward" PCTS 'dry run' simulations, organised by the Office for Public Management
- Producer Choice Guidelines published emphasising business ethics, H&S etc.
- 02.93 BFI Commission of Enquiry into Future of BBC + Birt 'Armanigate' row.
- 01.93 John Birt presents inaugural address as Director General : "Turning Promises into Realities" : Quality programmes, efficiently made, in an open and accountable way - "within an effective organisation" added to Extending Choice mission. Resources Directorate takes all resources and engineering in to one s.b.u. Bi-media Education Directorate also created. PCTS amended accordingly.
- 12.92 Sir Michael Checkland ⁽¹⁹⁹²⁾ denies reports of spending out of control - made public in determination to be more accountable - television problems pulled back before year end - BBC to meet restructuring costs from reserves and agreed borrowing
- 11.92 BBC ^(1992b) launches "Extending Choice" proposals for Charter Renewal, three days after government's Green Paper ^(DNH, 1992) on same topic published.
- 04.92 Conservatives returned for 4th term of office - PCCP endorsed by new Department of National Heritage (takes over broadcasting from Home Office).
- Second pilot PCTS in Network Television starts in Design & Scenic Servicing. Budgets fully devolved to News & Current Affairs output departments.
- 11.91 Television Resources Review confirms cuts before charging out under PCTS.
- 10.91 Michael Checkland and John Birt launch Producer Choice.
- New ITV licences announced (on air January 1993 - mergers post Jan '94).
- 08.91 1st meeting of PC Steering Group; Consultants = Coopers & Lybrand Deloitte.
- 07.91 John Birt named Director General designate - no open appointment procedure.
- 05.91 'Pay in the 90's' package announced by new Personnel Director, Margaret Salmon.
- 04.91 Howell James, Director of Corporate Affairs, announces Charter Task Forces. The results of their deliberations are condensed in "Extending Choice" (Nov. 92).
- World Service implements trading system "User Choice" (took 2 yrs to prepare, following Michael Checkland's decision to commence devolution of budgets).
- Pilot PCTS in Television Film Services (leads to substantial redundancies).
- Price Waterhouse recommendation accepted by government that first of next three license fee years should have licence fee set at RPI less 3%; BBC says savings over 5 years of £200 mn will have to be made to accommodate this.
- 11.90 Broadcasting Act becomes law, lighter touch of regulation, highest bidder for ITV, 25% independent productions quota to be in force by 1.1.93.
- 01.90 'BBC : Funding the Future' (more pay, more originations) cuts capital expenditure.
- 04.89 Engineering Directorate fully trading and cost recovering s.b.u.
- 11.88 White Paper ^(Home Office 1988) 'Competition, Choice and Quality' on broadcasting.

- 04.88 Some News & Current Affairs departments have budgets devolved to them.
- 01.87 Michael Checkland becomes Director General, appoints John Birt as Deputy.
- 11.86 Licence fee frozen at £58 until April 1988 (April '95 = £84.50; April '96 = £89.50)
- 05.85 Michael Checkland DDG, sets up Black Spot committee to i/d savings

APPENDIX TWO

A Social Process View of Organisational Change at the BBC compared with that of a Re-engineering Perspective:

SOCIAL PROCESS VIEW Characteristics Observed 1991-4 and noted by Burns ⁽¹⁹⁷⁷⁾	RE-ENGINEERING PERSPECTIVE Characteristics Observed 1991-4
<i>Legitimacy of tribalism</i>	<i>Illegitimacy of tribalism</i>
<i>The BBC makes programmes</i>	<i>The BBC is a broadcaster</i>
<i>Senior managers referee turf wars</i>	<i>Senior managers are strategists</i>
<i>Old practices and values remain</i>	<i>The past is scapegoated</i>
<i>Institutional continuity</i>	<i>Radically new, broken continuity</i>
<i>Negotiated view of transition</i>	<i>Utopian view of change</i>
<i>Family relationship metaphors</i>	<i>Engineering metaphors</i>
<i>The BBC will have to change</i>	<i>The BBC must change now</i>
<i>The new planning cycle is to reconcile rising costs and the needs of programme makers for more money</i>	<i>The new commissioning cycle is to fit the amount of available money to the needs and wants of the audience</i>
<i>Stakeholder interests</i>	<i>Technicist neutrality</i>
<i>BBC eschews scientific management</i>	<i>Systems design process</i>

APPENDIX THREE

Funds' Flow within the Commissioning Cycle*

1. Corporate Finance (CF) pays, on behalf of the audience, the Commissioning Controller (CC) the Tariff Price (TP), when the programme has been transmitted. CF pays CC non-tariff prices (NTP) for acquisitions and repeats. This allows CC manoeuvrability when scheduling a richer or poorer mix of programmes in response to CF's needs and/or CC's aspirations to vary timing and size of spend.

2. CC pays Department Providing Programme Compliance (DPPC) the Contract Price (CP), when the programme has been delivered ready for transmission. The CP may be more, less or the same as TP dependent on aspirations.

3. DPPC negotiates a price for resources and pays for them as they are consumed - the price may total more, less or the same as the CP.

4. DPPC cashflows independent commissions, in the same way, unless a fixed Turn Key Contract Price (TKCP) is agreed and paid for on one delivery date.

5. BBC Resource Departments (BBCRD) pay for the goods and services they use on the basis that their customers will settle their invoices on time. BBCRD are required to show a specified ROCE in their resources.

* The Commissioning Cycle is part of BBC Broadcast Strategy (BBC 'Broadcast Live' June 1997).

Market Position Confer'ce ⇒	Strategic Response Confer'ce ⇒	C.E.'s Strategic Agreem't ⇒	BBC Broadcast Strategy ⇒	* Commi-ssioning Cycle ⇒	Product'n, Delivery & Transm'n ⇒	Perfor- mance Review ⇒ ⇒
————— BUDGETARY CYCLE ————— 						

APPENDIX FOUR

Interview Partners in alphabetical order:

(N.B. The interviews took place during the period 1994 to 1996;
the job title refers to that held at the time of Producer Choice implementation;
* indicates the individual is classified as 'unnamed' in the body of the text)

Aaronovitch, David	BBC News and Current Affairs Producer, Programme Editor and Manager 'Fast Forward'
Ammar, Benny	BBC World Service, Head of Africa and Middle East Region
Anderson, Keith	BBC Network Television Head of Programme Planning
* Bates, Dick	BBC Regional Broadcasting, Asst. Controller and Head of Finance and Resources
Barnett, Steven	Senior Lecturer, School of Communication, Design and Media, University of Westminster
* Bennett, Jana	BBC Network Television Head of Science and Features
* Carpenter, David	Freelance Consultant to BBC Network Television on benchmark pricing
Checkland, Sir Michael	Director General of the BBC, during Producer Choice, until December 1992
* Cook, Christopher	BBC Freelance Radio Producer and Presenter
Cregeen, Peter	BBC Network Television Head of Drama Series
* Dewey, Stewart	BBC Network Television Planning Manager / Channel Scheduler
Docherty, Dr. David	BBC Network Television Head of Planning and Strategy
Edridge, Olga	BBC Corporate Centre Training Manager for Producer Choice
Everett, Peter	BBC Network Radio Head of Network Radio, BBC Bristol
Foster, John	General Secretary, National Union of Journalists
Graham, David	Managing Director, David Graham Associates
Hamill, Alan	Coopers and Lybrand Deloitte Lead Consultant on Producer Choice

APPENDIX FOUR continued

Hay, Jocelyn	'Voice of the Listener and Viewer' pressure group Chairman
Horne, Sandra	BBC News and Current Affairs, then Regions Personnel Controller
Hunter, Ian	BBC Policy and Planning Unit, working on Charter Renewal, then Sp. Asst. CEO BBC Worldwide
King, David	BBC Engineering Project Manager, Planning and Installation Dept.
Lennon, Tony	President, BECTU and Senior Convenor, BBC Division of BECTU
Lumley, Mike	BBC Network Television Controller of Production Resources
MacCabe, Colin	British Film Institute Research Director
* McMahon, Laurie	Office of Public Management Consultant
Moir, James	BBC Corporate Affairs, Deputy Head
Oliver, Mark	BBC Policy and Planning Unit Business Policy Advisor
Orr, David	BBC Network Television Programme Finance Manager
* Pearson, David	BBC Network Television Staff Producer in Documentary Features
* Plackett, Jane	BBC Education Programme Finance Manager
* Price, David	BBC Resources - Archives section Head of Marketing Contracts and Planning
Renwick, David	BBC Engineering, then Resources Head of Finance and Costing
Salmon, Margaret	BBC Director of Personnel
Smith, Anthony	President, Magdalen College, Oxford
* denotes individual preferred to remain unnamed in the text	

APPENDIX FOUR continued

* Smith, Brendan	BBC Network Television Manager Documentary Features Department
Smith, John	BBC Corporate Finance, then Network Television Financial Controller
Starks, Michael	BBC Corporate Centre Project Manager then Director: Producer Choice
Suter, Tim	BBC Network Television Directorate Secretary and managed the Annual Performance Review
Taylor, Cliff	BBC Network Television Director of Resources
* Thomas, Duncan	BBC Network Radio Director of Resources
Thomasson, Janine	BBC Corporate Affairs, Senior Assistant
* Tornow, Sally	BBC Network Television Assistant Contracts Manager, Sport and Events
Woodward, John	Producers' Alliance in Cinema and Television Chief Executive
Wyatt, Will	BBC Network Television Managing Director
* denotes individual preferred to remain unnamed in the text	

GLOSSARY

ACAS	Advisory Conciliation and Arbitration Service
ACTT	Association of Cinematograph and Technical Trades (see BETA)
Armanigate	Media reference to denote the row over John Birt's appointment as DG without the requirement for him to join the permanent staff - he was said to have claimed the cost of his Armani suits against his income tax
BAFTA	British Academy of Film and Television Arts
BBC	British Broadcasting Corporation
BECTU	Broadcasting Entertainment Cinematograph and Theatre Union (merger, 1991, inc. BETA)
BETA	Broadcasting and Entertainment Alliance (merger inc. ACTT)
BFI	British Film Institute
BPR	Business Process Re-engineering
b.u.'s	Business Units
CB	Sir Christopher Bland, Chairman succeeding 'Duke' Hussey in April '96
DNH	Department of National Heritage
DBB	Departmental Budget Estimate
double spend	The means whereby BBC could pay twice for the use of a resource - on the internal resource lying idle, and on the external resource being used
DDG	Deputy Director General of the BBC
DG	Director General of the BBC
'Duke' Hussey	Marmaduke Hussey, Chairman of the BBC, 1986 - 1996
EC	Extending Choice - the overall title for the Charter Renewal project
EP	Effectiveness Project promising staff: communication, involvement, and training - launched January 1993 by JB
<i>et al</i>	'and other authors' - cited in full in Bibliography
FIS	Finance Information Systems
FMI	Financial Management Initiative
H & S	Health and Safety regulations
HRM	Human Resource Management
inde	Independent producer, defined by independence from a broadcaster
ITC	Independent Television Commission
IT	Information Technology
JB	John Birt, Deputy Director General, 1987 - 1992; Director General, 1993 for 3 years, renewed 1996 for 4 years
KPI's	Key Performance Indicators

MBA	A Masters Degree in Business Administration
MC	Michael Checkland, DG 1987- 1992;
MOST	Mission Objectives Strategy Tactics
NCS	New Costing System at the BBC based on new IT software
NHS	National Health Service
NUJ	National Union of Journalists
OB	Organisational Behaviour
OB's	Outside Broadcasts
OD	Organisation Development
opt outs	Regional programmes which opted out of a network schedule
PCCP	Producer Choice Change Programme
PCTS	Producer Choice Trading System
PES	Production Efficiency Study - delayed from 92/3 to 93/4
PEST	Political Economic Socio-cultural and Technological
PFF	Priorities for the Future, 1985 BBC policy document
PFI	Private Finance Initiative
PI's	Performance Indicators
plc	Public Liability Company
PSBR	Public Sector Borrowing Requirement
PSC	Portable Single Camera
PSO	People Systems Organisation
quota	Regulation whereby indeps' work (25% of the whole, excl. news) was commissioned and broadcast by the BBC in competition with its own inhouse productions
RPI	Retail Price Index
RTS	Royal Television Society
s.b.u.	strategic business unit
SMART	specific, measurable, attainable, relevant, time-bound
TFS	Television Film Services, based at Ealing Film Studios
TQM	Total Quality Management
TRS	Television Resources Study, precedes launch of PCCP
TVR	Television Resources Review, the results of TRS
UK	United Kingdom of Great Britain and Northern Ireland
VLV	Voice of the Listener and Viewer
VT	Video tape
ZBB	Zero-based budgeting

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**BBC PRODUCER CHOICE AND ITS OUTCOMES -
An Assessment of the Results of Organisational Change**

by

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Copy published in : 'What Price Creativity?'

Proceedings of

The University of Manchester 28th Broadcasting Symposium

April 9th - 10th, 1997

Allen Hall, Manchester.

BBC PRODUCER CHOICE AND ITS OUTCOMES -

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BBC Producer Choice is a trading system based on buyer/seller relationships which now drives the BBC in all its decision-making processes. Producer Choice is a quasi-internal market, ostensibly replacing the old BBC bureaucracy with a more articulated organic structure. It represents a watershed in the history of the BBC as a public sector organisation; it has made people who work there 'think the unthinkable'; it has prepared them for the world of convergence and forced them to abandon a dependency culture; it has shone a torchlight into every area of BBC activity and has produced mountains of paperwork - what has it done for BBC programmes?

This is a vast area of debate, and if we go back to the old days of the command economy, before Producer Choice, we have to scrutinise the ways in which resources were allocated then to programme makers, on command, as it were, and ask ourselves (as many economists then did), were those resources 'fit for purpose'? Was every studio a 'Rolls Royce' outfit? Were there too many 'taxis on the rank' waiting to be used?

We might argue that the BBC needed to be over-resourced in order to transmit programmes consistently of such excellence that the BBC could retain its reputation as 'the least worst broadcaster in the world', but we know that this option was no longer realistic for the BBC, not just because the government would not tolerate such blatant inefficiency in the use of public monies, but because with rising costs and a plateaued

licence fee revenue, more had to be made with less. By the summer of 1991 there were new ITV licencees in place, operating on reduced programme budgets, new commercial radio and cable and satellite television entrants, taking increasing share from the terrestrial channels, and on the horizon was convergence, the strengthening interlocking of telecommunications with the information and entertainment media. All the indicators outside of the BBC, and the BBC's audit of resource levels in that summer of 1991, indicated that the BBC's productions were over-resourced by at least 130% .

So, BBC Producer Choice was launched in October 1991 as 'a new way of managing resources'. It was explained at the launch by the Deputy Director General, John Birt. Under Producer Choice, resources would be managed in such a way that producers would have the right to negotiate resource provision themselves, spending money internally or externally of the BBC. Where the money was denied to any internal resource because of the outcome of these negotiations, then the internal resource would fail to break even on its targets of resource utilage. Plant closures and redundancies would follow.

Although John Birt might be described as the architect of Producer Choice, it would be wrong to imply by this description that the then Director General, Michael Checkland, had in any way been out of sympathy with the decision to allocate resources in a different way. He had been the first to say the BBC should behave, in its production paradigm, more like an independent producer, and take advantage of flexible working and new technology, and pass production budgets down to producers with **full** responsibility for

how they would be spent, rather than only with responsibility to manage the proportionately small resource element which accounted for cash expenditure outside of the BBC. All other resources used in the making of programmes were available as a resource cost outside of the cash budget, allocated through programme planning in what was termed a 'bulk deal'. This method of resource allocation was the prime characteristic of the old command economy. The prime characteristic of the new quasi-internal market was to be 'working in full costs with full cash budgets'.

The intentions of Producer Choice were to reshape the BBC's strategy and structure so that it would be equipped for *Extending Choice in the Digital Age* ^(BBC 1996). Most importantly, in the short term, Producer Choice was orchestrated to persuade the government that the BBC was capable of operational change delivering efficiency savings, and therefore worthy of Charter Renewal when its existing ten-year Charter terminated in December 1996. The progress of Producer Choice in the years 1991-4 ensured that the case for Charter Renewal was advocated by the BBC, and by many of its supporters, on the basis of programme quality rather than on the need for excessive programme cost. Since 1994 the quasi-internal market has been made to work, broadcasting has been separated from production, the Charter has been renewed, the transmitters are privatised and BBC Resources intends to be a trading subsidiary of the BBC very soon. Cost per hour is falling, and, as far as BBC programming is concerned, more is being made with less. *The programme awards still flood in⁽¹⁾*. The policy implications of Producer Choice are that the Charter has been renewed, and that the BBC is in better shape to survive in

a new broadcasting landscape of convergence than would have been the case if Producer Choice had not been implemented.

However, something else happened at the BBC during the implementation of Producer Choice which our research suggests is directly associated with management decisions taken by John Birt, as Director General from January 1993, rather than by his predecessor, Michael Checkland. It was Checkland who had recommended the model of a quasi-internal market after it had been piloted in certain programme areas in 1990, and he had set up the internal audit under Birt's control which began the process of capacity reductions in studios and post-production in the summer of 1991. When Birt became Director General, he introduced new initiatives and objectives for the BBC which set in train a managerial revolution. Michael Checkland had been happy to describe the BBC as a 'business', but John Birt promised it would be 'the best managed public service in the United Kingdom'.

The relationship between the BBC, the government and the audiences for its programmes is an intricate affair. In designing the strategic initiative, *Extending Choice*, to ensure Charter Renewal, and subsequently to take the BBC into the Digital Age, nothing was more important for the BBC than improving the image of this relationship. Everything prepared by the BBC in this regard was designed to show the BBC as being different and better than before. The emphasis laid out in the first *Extending Choice* document published in November 1992 was that the BBC should make **quality** programmes,

efficiently, and in an **accountable** way. When John Birt became Director General some six weeks later, he added the directive that these programmes should be made within an **effective** organisation. From here was spawned the managerial revolution that still bewilders people today, prompting so many headlines that persist in suggesting that even if the BBC is **different** from before, it is not necessarily **better**. The latest headline that springs to mind is from *The Guardian*, 8 February 1997:

'Veteran Producer Axed after Savaging BBC Chiefs: ...
Kenith Trodd who worked closely with Dennis Potter ...
said the BBC drama department is a "total mess" ...
decisions are being taken by "uncreative people whose
talent is keeping a shaky grip on stationery supplies."

Implementing 'effectiveness projects', to achieve an 'effective' organisation, is fraught with unintended consequences, compared with the relative ease of implementing 'efficiency projects'. The Effectiveness Project promised to give BBC workers communication, awareness and training. This was to assist Birt's commitment to make the BBC 'the best managed public service in the United Kingdom'. Delivering these pledges was easier said than done. It has, as John Birt described it, been 'a long haul' to bring about change in the way the BBC views itself, as well as in the way it is managed.

But, for the purposes of this paper, we can put the problems of effectiveness to one side, and concentrate instead on the objectives of quality, efficiency and accountability. Producer Choice, conceived at least two years before the launch of *Extending Choice* in November 1992, was designed to achieve all three. As a means to an end, was it

successful? What happened to the concept of Producer Choice along the way - has it become an end in its own right?

The first thing to say is that Producer Choice did not become an end in its own right. In many ways, it was far too unpopular for that. If the end were a quasi-internal market, (which is what the Producer Choice change programme built, over two years, 1992-4), then that has simply become a further means to an end - i.e. the quasi-internal market is used to demonstrate quality, efficiency and accountability. That is what is supposed to happen to means in an ideal world of rational management. Producer Choice was conceived in that ideal world where means do not determine ends and goals are not displaced.

But, the BBC is a complicated organisation in a world which is far from ideal. People who know the BBC well describe it often as a 'labyrinth', 'a sea of treacle', a 'minefield' or 'it's a maddening place, but we love it'; outsiders have offered such advice as: 'don't let the inmates run the prison'. During the course of our research, we wondered if the BBC had changed at all from the days when Tom Burns conducted research there in 1962 and again in 1972? The research was eventually approved for publication and written up in Burns' book, *The BBC: Public Institution and Private World* ⁽¹⁹⁷⁷⁾. As Mike Reed observed in *The Sociology of Management* ^(1989:37), Burns uncovered there:

the complex processes whereby rational control systems are distorted by the long-term impact of substantive conflicts within management over access to resources that will critically affect the future direction of organisational development.

The rationalist concepts of organisational change do not apprehend the ambiguities and unintended consequences inherent in any change process. Our research has scrutinised the ways in which the objectives of the Producer Choice trading system were distorted by the variability in context, process and outcome that always accompanies organisational change. For the purposes of this paper, we can summarise the distortions of the rational control systems as follows:

The BBC has not turned itself into a 'virtual' or 'network' organisation, despite indications in the context of change that flexible working patterns, within a periphery of production units, linked in a network with the BBC, would deliver the most cost effective programming. The notion of accountability can be demonstrated in such measurement tools as the Annual Performance Review, but such tools are always subject to goal displacement during the process of their implementation and subsequent usage. There is still deep-seated cultural resistance to the notion of negotiating by contract in the quasi-internal market, rather than by what were characterised by John Birt and many others as the 'skills of supplicancy' in the days of the command economy.

Furthermore, the internal market is still only 'quasi', and producers' decisions over time have not been allowed (as was their intention) to condition the size of the BBC. There were pre-eminently two reasons for this distortion. The first was that the context of change moved away from the hitherto beguiling concept of flexible autonomous working (utilising devolved budgets) towards a new type of centralised control, emanating from

a revitalised corporate centre, where budgets were created in response to a centrally devised programme strategy, and fixed at a level which 'best industry practice' indicated was appropriate. The second main reason for distortion was that the process of change only served to confirm that the BBC was short of cash, and would remain so throughout the period running up to Charter Renewal in December 1996. So, giving producers the right to spend money externally of the BBC was constrained by the lack of available cash. Coupled with what were frequently referred to as 'cash crises', was the inability of the BBC to free itself of certain resource costs when some studios remained in use, but under-utilised, and property disposal yielded less cash than had perhaps been anticipated. And although the headcount did start to reduce in the Resources division of the BBC, it increased in the Production divisions so that the net reduction in staff numbers was by no means as dramatic as many had been led to expect.

So what was Producer Choice all about? Was there, in fact, an intended consequence that, regardless of the fashionable rhetoric about becoming 'lean and fit' for the Digital Age, the BBC would remain over-resourced so that it could still be 'the least worst broadcaster in the world'? Or did the powerful bureaucracy of the BBC's traditional processes resist new ways of managing resources and allow the old ways to prevail, providing knowledge only to the elite, whoever that might be, and producing information as a substitute for knowledge to the many, who struggle to find ways of turning the information into knowledge? They struggle because the BBC is still, at its most senior level, pervaded by a culture of closure and confidentiality. Producer Choice permitted

operational change, but it did not take the BBC into a new production paradigm. This may happen now, with the new Resources division about to trade as a separate subsidiary of the BBC, and with the new Production division making programmes for new BBC digital channels and rival commercial terrestrial channels, but Producer Choice was not the catalyst for these developments - they arose out of that substantive conflict within management over access to resources which Tom Burns noted in 1962 and 1972, and which many commentators have noted more recently is still characteristic of the BBC. The difference between 1977, when Burns' book was published, and today, is that there are now many more outlets for BBC programming, and many more opportunities for BBC resources to operate externally of the BBC. In the words of the July 1994 *White Paper on the Future of the BBC*, the challenge is to 'serve the Nation', **and** 'compete Worldwide'.

When we consider this challenge as an instruction from the government, we start to come a little closer to understanding what Producer Choice was all about. A rigid bureaucracy allocating resources on demand could neither provide assurance to the government, on behalf of the licence fee payers, that public money was being spent wisely, nor could it offer a cash-based relationship to potential customers, world wide. For the BBC, Producer Choice is a pre-requisite of the global marketplace in the twenty-first century.

If the government is now happier with the BBC's structure and strategy as a result of Producer Choice, can we say the same for licence fee payers - are they being short-

changed by these new arrangements? The BBC would argue this is not the case. They expended much effort during *Extending Choice* seeking to persuade their audiences within the United Kingdom of the unique value of BBC programming, and asking them, in the process of the *Programme Strategy Review*, what sort of programmes did they want? The result has been a television and radio schedule which is more reflective of audience wishes - hence, for examples, the emphasis on costume drama, on consumer programming, and on minority interests. If you read the published version of the *Programme Strategy Review* ^(BBC 1995), you can discern that the BBC has a clear idea of what its audiences want, and is determined to satisfy that, dependent on cash and available talent.

But it has been argued that giving people what they want is the antithesis of public service broadcasting. The economist Martin Cave described public service broadcasting in a 1985 article in *Lloyds Bank Review* ^(No. 157:25-35) as:

a form of content regulation which involves the subsidisation or cross-subsidisation of certain programme types. Its justifications are ... that viewers have the 'wrong' tastes or tastes ... that certain types of programmes have beneficial external effects ... (and) that viewers have limited knowledge of programmes on offer and would benefit ... from having their choices guided. ... The public service element in BBC output is embodied in the Charter and maintained through the Board of Governors, and perhaps more fundamentally through the whole ethos of the BBC ...

There is greater tension now in that 'whole ethos of the BBC' than ever before. In 1993, the television dramatist Dennis Potter made an impassioned plea at the Edinburgh

International Television Festival on behalf of public service broadcasting :

(It)... is not a business trying to distribute dosh to its shareholders, not owned by its current administrators,... but something held in trust and in law for every citizen ... of Great Britain and Northern Ireland. (MacTaggart Lecture : 10) ...

He also commented:

How much the shifts and turns which seem particular to any one large institution can in themselves be seen as a model for the wider society in which all of us live. ...
The glories of privatisation and the brutalities of the unshackled market ... can more or less honestly hold up the battle banners of (their) occasionally healthy, and often vicious indifference to the old class-ridden status-conscious cultures of Great Britain.... the cry of Yuppie to Yuppie sounded in the land (MacTaggart Lecture: 3)

Is that what we are left with? A market-driven BBC permanently on a mobile phone whose voice mail takes its messages for it? The command economy of the old BBC protected producers from the rigours of the market, and the new economy of Producer Choice has exposed them to consumer sovereignty. The irony is that it was producers who first advocated Producer Choice as a means of making programme budgets go further, rather than as a means of unleashing market forces. From their perspective, that was an unintended consequence of their intentions. From the BBC's point of view, quality, efficiency and accountability are more easily demonstrated than before the introduction of Producer Choice, and, arguably for that reason, Producer Choice saved the BBC from privatisation. We shall have to see.

(1) Comment added after reaction to draft from BBC Corporate Affairs, 9 April 1997