Balancing Act: Learning from Organizing Practices in Cultural Industries

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. . . . we are swiftly moving at present from an era when business was our culture into an era when culture will be our business.

Marshall McLuhan

Abstract
The dilemmas experienced by managers in cultural industries are also to be found in a growing number of other industries where knowledge and creativity are key to sustaining competitive advantage. Firms that compete in cultural industries must deal with a combination of ambiguity and dynamism, both of which are intrinsic to goods that serve an aesthetic or expressive rather than a utilitarian purpose. Managers involved with the creation, production, marketing, and distribution of cultural goods must navigate tensions that arise from opposing imperatives that result from these industry characteristics. In this paper we outline five polarities that are shaping organizational practices in cultural industries. First, managers must reconcile expression of artistic values with the economics of mass entertainment. Second, they must seek novelty that differentiates their products without making them fundamentally different in nature from others in the same category. Third, they must analyse and address existing demand while at the same time using their imagination to extend and transform the market. Fourth, they must balance the advantages of vertically integrating diverse activities under one roof against the need to maintain creative vitality through flexible specialization. And finally, they must build creative systems to support and market cultural products but not allow the system to suppress individual inspiration, which is ultimately at the root of creating value in cultural industries.

(Cultural Goods; Art; Entertainment Industries; Creativity)

Movies, television, music, theatre, and visual arts belong to a category of products that has come to be known as cultural goods. Hirsch defines cultural goods as “‘non-material’ goods directed at a public of consumers for whom they generally serve as an aesthetic or expressive, rather than clearly utilitarian function” (1972, pp. 641–642). Serving these aesthetic and expressive needs has produced a rapidly growing economic sector whose importance extends beyond its sheer size. Cultural industries are highly visible because they exert an extraordinary influence on our values, our attitudes, and our life styles. They have long been the subject of intense public fascination, a fascination that has been nurtured and reinforced by extensive media coverage.

Yet in spite of their significance, cultural industries have not received much attention from management researchers. There are few empirical studies of cultural industries to date, and even fewer that directly address the managerial and organizational issues confronting firms in these industries. The explanation for this neglect is rooted in how management scholars regard cultural industries. Managerial practices and organizational patterns that are typically observed in these industries are frequently at odds with our established views of managing organizations.

For the most part, attempts to fit cultural industries into our existing frameworks have therefore been stymied by anomalies. Kuhn (1970) suggests that the first response to anomalies is often to set them aside as curiosities, next to see them as interesting but irrelevant, and finally to see them as both interesting and relevant to the dominant
paradigm. This special issue of *Organization Science* is based on the premise that although managerial and organizational practices in the cultural industries may have seemed anomalous until recently, they are becoming increasingly difficult to ignore. Managers in cultural industries learn to harness knowledge and creativity in order to enhance the value of the experience that is provided by their products. The dilemmas that they face are becoming increasingly relevant to a broad cross section of managers across a wide range of industry contexts.

Many other industries are gravitating towards the use of some combination of knowledge and creativity in order to generate and sustain competitive advantage. Knowledge, in particular technical knowledge, is regarded today as the foundation of competitive advantage. But knowledge without creativity can rarely meet the challenge of continuous innovation needed to sustain advantage. Because firms in cultural industries have long had to deal with this challenge, their experience contains significant lessons for other industries.

The lessons are not embodied in a set of directly transferable prescriptions but are to be found in the way that firms in cultural industries navigate between opposing imperatives. To understand the origins of these polarities, it is necessary to examine the production and consumption of cultural goods more generally. We do this in the first part of the introduction. In the second part we examine and discuss five polarities that are intrinsic to cultural industries. We use the papers in this special issue to organize and illustrate these polarities. We conclude with the implications of the lessons gleaned from the cultural industries to management in other industries.

Making Sense of Cultural Industries

To understand cultural industries, it is necessary to begin with their key distinguishing characteristic: the nonutilitarian nature of their goods. In most industries, it is utility that imparts definition to product features and use. More specifically, utility allows for systematic comparison of different products, and by extension, it provides a basis for the emergence of explicit and relatively stable standards of quality.

Cultural goods, by contrast, are experiential goods (Bjorkergren 1996, Hirsch 1972, Holbrook and Hirschman 1982). They derive their value from subjective experiences that rely heavily on using symbols in order to manipulate perception and emotion. The impact of adding background music to film points to how subtle changes in cultural products can shift the resulting experience. On the face of it, the image on the screen should dominate the viewing experience. However, as filmmakers and moviegoers know all too well, the choice of sound track can fundamentally alter the viewing experience, often in ways that are difficult to predict or explain.

The unpredictability of such a subjective experience makes it extremely difficult to identify and establish clear standards of quality (Bjorkergren 1996, Holbrook and Hirschman 1982, Lewis 1990, Turow 1984). Even when there is widespread agreement about the high (or for that matter low) quality of cultural products, the consensus belies deep disagreements as to why this is the case. Basic notions of quality tend to remain contestable in cultural industries. Whereas in industries where goods are utilitarian, producers usually develop a consensus on specific and often measurable standards of quality, in cultural industries standards represent abstract ideals rather than specific product attributes. For example, consumers may espouse the importance of “originality” in art or in music, but attach fundamentally different meaning to the term.

Opinions about quality can diverge so strongly that producers find it hard to figure out why some products do well while others do not. This is not only the case before consumers make their purchase decisions, but also afterwards. Ultimately, understanding why products succeed or fail is forever in the realm of educated conjecture. This is rarely due to the lack of data—plenty of data are usually available—but because the data is susceptible to multiple and contradictory interpretations. Taken as a whole, these contradictory interpretations produce ambiguity that impacts on the ability of managers to make well-informed decisions.

When trying to make some sense of why consumers of cultural products make the choices they do, managers are more likely to rely on their insight into the subjective experience of consumers. What results is more a process of interpretative enactment rather than systematic or rational analysis. For instance, producers of cultural goods know that consumers look for products that can be counted on to entertain, stimulate, and provoke reflection. Trying to satisfy the consumer on these dimensions can pose a tremendous challenge.

However, producers also know that cultural products are more likely to find market success when they blend familiar and novel elements. Consumers need familiarity to understand what they are offered, but they need novelty to enjoy it. Finding a successful synthesis of these two opposing elements depends more on art than technique, more on insight than professional judgment. Organizations in cultural industries expend considerable judgment searching for formulas that can accomplish this goal, but generally find it to be elusive. Tastes are unstable, and
what is more, what is novel and popular in one period becomes familiar and usually staid subsequently.

It is hard to find experts in the cultural industries in the conventional sense of that term. There are no recognized specialists such as engineers or analysts who can take products apart and point to problems when they arise. Codified knowledge can be useful to tackle problems, but ultimately it is of limited value. Tacit knowledge is more important in cultural industries, and talent, creativity, and innovation are the resources that are crucial to success (Jones and DeFillipi 1996, Miller and Shamsie 1996). But these are amorphous resources: They cannot be clearly defined, they emerge from unexpected sources, and they lose their value for reasons that are not entirely understood.

Much of the strategy of firms in the cultural industries is therefore oriented towards finding, developing, and maintaining control over these resources. For instance, most record companies have Artist and Repertoire (A&R) units whose main task is to find and develop new artists (Wilson 1987). The major Hollywood studios have in place systems for screening and evaluating thousands of new movie scripts each year for the few promising ones that are selected for production (Kent 1991). Publishers have departments whose sole task is to bring authors to the attention of the reading public by orchestrating personal appearances with other promotion and marketing efforts (Coser et al. 1982).

Consequently, the long-term survival of firms in cultural industries depends heavily on replenishing their creative resources. However, because the processes that generate them are poorly understood, there is considerable uncertainty not only about how to detect them, but also on how to replicate and use them. Managerial practices such as professional training and apprenticeship that are useful in other industries are largely ineffective in cultural industries. What is more, resources that have proven valuable are usually embedded in individuals and groups over which the corporation has limited control (Stearns et al. 1987, Saundry 1998, Robins 1993).

Managing creative resources is therefore one of the key challenges confronting organizations in cultural industries. To meet this challenge, organizations in the cultural industries have to recruit and motivate individuals who seem to possess the insight and intuitive understanding of how creative resources can be discovered and nourished. Their competitive advantage depends on finding these individuals, and also on developing structures which leverage creative resources without at the same time stifling them.

To recapitulate our main points, producers in the cultural industries are confronted with two problems: demand patterns that are highly unpredictable and production processes that are difficult to monitor and control. The evolution of cultural industries is driven by attempts to deal with these problems by constant shifts in managerial practices and organizational forms. On the demand side, firms try to shape consumer preferences by expending large-scale resources on new methods of distribution, marketing, and promotion. However, shaping consumer tastes is always difficult, and in the case of the cultural industries it is made even more difficult by the fact that tastes are part of a wider social and cultural matrix over which firms have little or no control. On the supply side, firms seek to develop new ways of uncovering and managing creative inputs. However, creativity comes from individuals whose talents and inputs can be organized and controlled only up to a point. The successful management of creative resources in the cultural industries depends on finding this point, on striking a balance between the imperatives of creative freedom and commercial imperatives.

Navigating Within a Cultural Context
In his examination of cultural industries, Hirsch (1972) suggests that the emergence of such opposing imperatives is characteristic of cultural industries in general. Cultural industries, he argues, are systems of organizations that mediate the flow of cultural goods between producers and consumers. To survive, organizations in cultural industries must reconcile the demands of artistic production with those of the marketplace. These two areas are not only different in character, but are often in opposition—each is shaped by different needs, and each is judged by different criteria. The strategies that evolve as a result reflect the opposing pressures exerted at each end of the value chain. To understand cultural industries it is therefore important to understand the polarities that shape the choices available to organizations in these industries. Our reading of the papers submitted for this special issue suggests that there are in effect five polar opposites that define the field of action within which organizations in cultural industries operate.

Artistic Values Versus Mass Entertainment
Cultural industries combine two realms of human experience. All societies produce culture as a form of individual and collective expression of basic ideas and aspirations, but the artistic value of cultural products must be balanced against its entertainment value. It is through their entertainment value that cultural products attract the audiences that can support them. Combining these two
realms of art and entertainment is a source of continuing tension in cultural industries. Cultural industries strive to remain loyal to artistic values, but they must also deal with market economics. The question that persistently confronts organizations in cultural industries is: Which one of these imperatives should drive decision making? Should the values of art dominate with mass entertainment as secondary, or should the organization use culture to pursue the goal of entertainment?

Glynn’s paper addresses this issue by examining the tensions between artistic values and commercial imperatives that are at work in the Atlanta Symphony Orchestra. On one side we have members of the orchestra who are passionately committed to ideals of classical music, while on the other we have members of the board who wish to make classical music more popular and more accessible to the public. She suggests that these tensions cannot be easily resolved. At best, a balance is struck. When the balance is toppled by crisis, each side champions its own values, inevitably producing an open conflict between art and entertainment. Ultimately neither can prevail without destroying the identity of the organization as a symphonic orchestra; coexistence is the only option.

While in Glynn’s case study the polarization between art and entertainment is sharply delineated, in many other organizations the relationship is multidimensional and hence more complex. In the nonprofit theatre industry studied by Voss et al., there are both competing and overlapping values. Organizations must balance and, when possible, reconcile these values in line with relationships with key constituencies. The analysis by Voss et al. suggests that five distinct values are at work in this sector. There are the artistic values of the theatre’s own members, the artistic values of the larger community, and beyond that the value of achieving a national reputation. In conjunction with these values, there are also values that are more congruent with commercial success: the value of financial performance, and the value of market success, measured by the ability to select plays which have the widest audience appeal.

**Product Differentiation Versus Market Innovation**

Competition in cultural industries is driven by a search for novelty. However, while consumers expect novelty in their cultural goods, they also want novelty to be accessible and familiar. This contradiction puts producers of cultural products in the middle of two opposing pressures. On the one hand, producers are pushed to seek novelty that differentiates products without making them fundamentally different from others in the same category. This novelty represents a recombination of existing elements and styles that differentiates, but does not break existing artistic and aesthetic conventions. On the other hand, there is the push to pursue innovation beyond existing limits. This type of novelty breaks new ground, often results in new types of cultural products, and may expand or fundamentally change the market.

Mezias and Mezias examine the balance between product differentiation and market innovation in the early motion picture industry. They focus their attention on the introduction of new movie genres as critical innovative events. New genres represent new types of products, but at the same time the novelty of a new genre is derived from a recombination of existing styles and plot lines. By catering to new customer groups, the introduction of each new genre is expected to lead to an expansion of the overall market. However, new genres are evaluated by essentially the same criteria used to evaluate existing genres. Genre creation, as Mezias and Mezias show, could more easily be regarded as a form of product differentiation than as a form of market innovation.

The paper by Wijnberg and Gemser addresses the tension between differentiation and innovation in a completely different arena. They examine the emergence of modern art, and in particular the rise of Impressionism in France towards the end of the nineteenth century. Prior to Impressionism, art was valued using a number of criteria, of which innovation was only one. Artists sought to differentiate their work from that of peers, but at the same time they sought to maintain continuity with their predecessors. Impressionism made a decisive break with established styles and traditions in the visual arts. In so doing, the Impressionists reshaped the foundations of modern art, turning the innovativeness of a work of art into the dominant criterion by which its value is judged.

**Demand Analysis Versus Market Construction**

There is a longstanding dispute in the cultural industries between those who see cultural goods as an expression of consumers’ needs and desires, and those who argue that what consumers want is almost entirely shaped by the imagination and creativity of the producers. The debate corresponds to fundamentally different views of why some cultural goods become successful while others do not. Thus, cultural goods may become successful because they deliberately or accidentally tap preexisting consumer preferences, or cultural goods may become successful because they shape tastes to suit their own production—in effect, they create the standards by which they are judged, and then deliver an experience which meets these standards.

In most cultural industries, long periods of stability often lead managers to opt for the first choice, in effect, to
treat cultural goods as fundamentally no different than other goods. Anand and Peterson’s study of the recorded music industry demonstrates the risks involved in making this assumption. They show how a change in the way that the industry collected and analyzed information on consumer purchasing patterns produced a dramatic shift in the interpretation of market structure. What was once perceived as an “objective” picture of the market is revealed to be an artifact of the methods the industry used to construct that picture in the first place. What Anand and Peterson’s study suggests is that the process of reading the market cannot always be distinguished from the process firms use to construct it. The mirror held to the market is of the industry’s own making. Because it is designed with certain assumptions in mind, the resulting image will reflect these assumptions as much as it does consumer preferences.

The paper by Wijenberg and Gemser also speaks to this issue. It focuses specifically on the methods that producers can employ to change the criteria used to construct the market in the first place. They point out that works of art are not valued independently of the context in which they are produced, but derive their value from the set of institutions in which art is promoted and exhibited. Institutions invest heavily in criteria that add to their authority as arbiters of tastes. Their influence shapes the processes whereby works of art are selected for public attention or are consigned to obscurity. Wijenberg and Gemser argue that the rise of Impressionism reinforced a transition that was already underway from the old system of peer selection towards a new system of expert selection. Key to this transition was the revaluation of the importance of innovation in art. In effect, the Impressionists, in collusion with their allies, reshaped public tastes and also how the art market reads the tastes of its consumers. Their revolution was therefore not only aesthetic, but institutional as well.

**Vertical Integration Versus Flexible Specialization**

In cultural industries, as in many other industries, organizations often look for gains by trying to exert greater control over both the creation and the delivery of their products. This has invariably led to a drive to integrate all aspects of the value chain under a single corporate umbrella. However, the coordination and scale advantages of integration have to be balanced against their potential disadvantages. A highly integrated firm would tend to reduce the creative freedom of its different units by pushing for greater coordination. Firms in the cultural industries thus need to balance this need for integration by some attempts at specialization. To the extent that a firm is able to specialize, it is able to use its greater focus both to reduce overhead and to increase creative flexibility. Specialization allows the organization to concentrate on those activities that are most consistent with its particular role in the production and distribution of cultural goods, while leaving the rest to other organizations.

In their paper on the motion picture industry, Mezias and Mezias demonstrate that firms can either choose to draw heavily on advantages from integration or to rely more on advantages from specialization. They show that the specialist feature producers and distributors were more likely to create new genres than the integrated studios that populated the core of the industry. However, the integrated studios benefited from this practice because the distribution of these films allowed them to expand their product mix. Mezias and Mezias therefore suggest that, in spite of the imbalance between risks and returns, the two types of firms develop a symbiotic relationship that is mutually beneficial to both. From an ecological perspective, the innovative moves of specialist firms could be contrasted with the resources of the integrated studios to increase their chances of success.

The paper by Starkey, Barnatt, and Tempest deals with the balance between integrated broadcasters and specialized suppliers in the U.K. television industry. Their study shows that as broadcasters moved away from full integration of production and broadcasting, they have come to rely on networks of external specialists. The flexibility provided by these specialists has allowed broadcasters to reduce their overhead costs with no appreciable effect on the quality of programs. This has been achieved by the creation of what Starkey, Barnatt, and Tempest call “latent organizations.” These represent informal social structures that can allow a broadcaster to draw upon external specialists for its programming needs on an intermittent basis. The virtue of such latent structures is that they can provide the means whereby a network of specialists that have previously worked together can use their high degree of mutual knowledge and trust to efficiently reconstitute the network.

**Individual Inspiration Versus Creative Systems**

There is a persistent debate in cultural industries about the true source of creative value. Is it the individual who is the pivotal element in the value chain, or is it the system as a whole that produces the critical ingredients of successful cultural products? The debate has important repercussions. If the individual is the pivotal element in the creation of value, then the key to success is finding or developing these individuals. If on the other hand it is the system, then less emphasis should be put on individuals, and more on developing structures, processes, and cultures that produce successful cultural products. In many
cultural industries one finds examples of organizations that have put their faith primarily in individuals or systems. More often, however, organizations try to combine the best of both.

The study of global media firms by Eisenmann and Bower shows how the balance between the individual and the system can, under certain conditions, swing sharply towards the individual. They argue that in environments where technologies and markets are rapidly converging, a decentralized system of decision making is too slow to spot and take advantage of emerging opportunities. The media firms that are able to achieve both economies of scale and scope are usually led by CEOs with entrepreneurial vision and drive. These CEOs make the critical strategic decisions, but then hand over operations to business units that have the requisite knowledge to take advantage of the new opportunities. In this fashion, growth and integration are achieved without sacrificing speed. A mutually reinforcing relationship between the individual CEO and the system emerges that combines the strength of both centralized and collective decision making.

Starkey, Barnatt, and Tempest’s paper on the U.K. television broadcasting industry illustrates how firms handle the tensions between individuals and systems. In their study, broadcasters rely on a system of external specialists. The continuity of the system is sustained by latent organizations, but these latent organizations rely heavily on key brokers. The broker’s creativity and relational talents are indispensable for gaining lucrative programming commissions, but these commissions are difficult to execute without the creative talents embedded in the latent organizations. The individual and the network therefore reinforce each other’s position, and at the end of the day it is difficult to separate the contribution of one from the other.

Conclusions
Our purpose in this special issue is twofold: First, to investigate management practices and organizational forms in cultural industries; and second, to see what lessons can be drawn that apply to other industries. Cultural industries are clearly different from most other industries: Their products evoke intensely private experiences, and they tap values and aspirations that are neither utilitarian nor commercial. For the most part they bank on the successful use of creativity, which is a resource that ultimately cannot be controlled. While these characteristics are to a large extent unique to cultural industries, they give rise to environmental conditions—in particular, high levels of ambiguity and dynamism—which are increasingly common in other industries.

Hirsch (1972) argued that the high levels of ambiguity and dynamism that exist in cultural industries force managers to constantly seek new models for managing their operations. This is very much the case in a wide range of industries today. Managers are finding that high levels of ambiguity and dynamism call established structures and practices into question on a regular basis. Persistent uncertainty gives rise to debates about future direction—debates that are often animated by the assumption that a dominant business paradigm is bound to emerge once change slows down.

The papers that make up this special issue suggest that cultural industries have experienced high levels of dynamism and ambiguity for long periods of time without developing dominant business paradigms. Instead, organizations in cultural industries have learned to contend with various opposing polarities: artistic values versus mass entertainment, product differentiation versus market innovation, demand analysis versus market construction, vertical integration versus flexible specialization, and individual inspiration versus creative systems.

Polarities usually give rise to debates, and this case is no exception. For researchers, debates are often a call to action, an incentive to marshal evidence supporting one side in order to refute the other. However, what the papers from this issue suggest is that neither side in these debates is entirely right or wrong. When it comes to the practical business of creating and selling cultural goods, firms must proceed with both polarities in mind. For example, if firms pursue the goal of mass entertainment they should not lose sight of artistic values. If artistic values dominate, commercial survival dictates that market realities cannot be ignored indefinitely. If firms are intent on creating new genres or new categories of cultural goods, they must bear in mind that most products in cultural industries succeed by differentiating rather than by being revolutionary. And similarly, if they pursue a strategy of marginal product differentiation, me-too products with a minor difference, they should be aware that in the long run they could lose to strategies that introduce truly innovative products.

By the same token, firms must analyze the market in order to understand what their consumers are likely to respond to, but they must also try to influence consumers by encouraging interest in attributes in which their products enjoy an advantage. Analyzing the market accurately ensures that producers can effectively communicate with their consumers; shaping tastes allows producers to construct the market along lines that increase the value of their products. Similarly, new technologies may help to turn flexible specialization into a reality, but this does not vitiate the potential advantages of vertical integration.
Large media conglomerates may be able to leverage synergies across their business units, but if they attempt to pursue this too far they are likely to stifle the very creativity on which they depend.

Finally when we turn to the last polarity, individual inspiration versus creative systems, we encounter one of the longest and most vociferous debates in the cultural industries. Individual inspiration is often championed because it is easier to identify (even when it is not so easy to understand), but without the support of a creative system it is unlikely to be fully exploited. Creative systems often seem more reliable—and hence are always a tempting way of eliminating dependence on creative individuals—but without the inspiration of creative individuals output often degenerates into a poor imitation of past success.

Above all, this special issue shows that seeking to strike a balance between opposing polarities usually leads to the combination and extension of existing models rather than to the development of totally innovative approaches. This lesson may contain what is ultimately the truly crucial insight that cultural industries can impart to other industries where environmental conditions are similar but the polarities at play are fundamentally different: The choices facing organizations are often the result of contrary imperatives. It is important to understand how these imperatives play against each other. Using this understanding, organizations can decide which practices should be modified and which should be discarded, which organizational forms are still viable, and which should be abandoned in favor of completely new ones.

References


