# Commercialising New Zealand's National Television

*Barry Spicer, Michael Powell and David Emanuel, **The Remaking of Television New Zealand 1984 – 1992**, Auckland University Press, Auckland, 1996*

*Reviewed by **Franco Papandrea***

OVER the past two decades governments around the world have increasingly embraced microeconomic reform and privatised public-sector enterprises in pursuit of improved economic efficiency and competitiveness. Nowhere, perhaps, has this movement been promoted with greater zeal and sense of urgency than in New Zealand, where successive governments have vigorously sought to dismantle regulatory regimes and establish competitive markets for services traditionally delivered by government monopolies In this book, three management academics at the University of Auckland give an account of the transformation of Television New Zealand (TVNZ) from a division of the Broadcasting Corporation of New Zealand (BCNZ) into a commercialised state-owned enterprise (SOE) operating in a competitive market.

The authors seek 'to examine the organisational and management process' (p. 3) of the transformation of TVNZ. They present the events and internal upheavals generated by the transformation process in a documentary style, relying mainly on interviews with key participants. They offer little by way of analytical assessment or comment; and the end product is much like a typical management-school case study of organisational change. Readers are left to make their own judgment on whether the strategies that were adopted were appropriate or whether different strategies might have been more suitable in the circumstances. Perhaps this was intentional and anticipated the likely use of the book as material for classroom discussion by students in the authors' own faculty and in other business and management faculties. The authors have certainly produced an excellent case study of organisational change that should appeal to management academics.

The authors' exclusive focus on organisational and management changes occasionally inhibits or overlooks simple explanations of, or insights into, actions that could have been understood with a more encompassing outlook. For example, phenomena such as look-alike programming on two channels both owned by BCNZ would not then have seemed puzzling. Underlying incentives and expectations from programme-choice models predict that advertiser-financed broadcasters owning multiple channels will produce complementary rather than competitive programming. However, in BCNZ common ownership was overlaid by separate organisational groups, each with its own director-general and without overall coordination. So the two channels behaved as competitors. As Hotelling (1929) demonstrated long ago, the underlying incentives for competitors in such a situation lead to the supply of similar programmes with broad appeal. Removal of competition by reintegration of the two channels changes the incentives in favour of complementary programming. Thus, a welfare-maximising broadcaster controlling multiple chan-

nels has no incentive to provide more than one service in the same sector of the market. Consequently, the realignment of the programming on the two TVNZ channels is likely to have been more a response to the reintegration of the two channels than a strategic response to anticipated competition from a new entrant.

The central and most fascinating part of the book discusses three distinct phases of the transformation process. The first phase is concerned with emerging pressures in the mid- to late 1980s, culminating in the Rennie Committee review's recommendation that the broadcasting functions of BCNZ be restructured into two SOEs, one each for radio and television. The second phase deals with the implementation of the Rennie's Committee's recommendation focusing on the establishment of TVNZ as an SOE. All of this occurred in the short period from August to December 1988. The third phase covers the period 1989-1992 and is concerned with the changes within the newly established TVNZ and the implementation of competitive strategies to limit the impact of the entry of TV3 in November 1989 and secure new business opportunities.

These chapters provide a very interesting and informative insight into a government organisation that had grown out of touch with the needs and desires of the community it purportedly served. The BCNZ , as here described, was an overly bureaucratic and overstaffed organisation lacking the motivation to pursue the necessary changes to deal with the challenges of an increasingly competitive environment. It had no clear direction or vision and was embroiled in a mishmash of commercial, bureaucratic, cultural and political issues. Its programming was driven more by the desires of producers than by audience demands or commercial realities. In the view of its chairman, it was 'seriously at risk of being swamped by waves of new technology and competitors surging into broadcasting' (p. 24). Then, in 1986, Julian Mounter was appointed Director General of television within BCNZ, and later became Chief Executive of TVNZ. Strongly convinced that rapid change was necessary for TVNZ's survival, he single-mindedly set himself to bring it about. There followed an excellent demonstration of the strategies and drive necessary to transform a moribund organisation opposed to change into a vibrant and competitive organisation that thrives on change.

Mounter's management style and actions betray more than a hint of guidance from the writings of Macchiavelli. In his early 16th-century classic *The Prince,* Machiavelli (1961:51) advises:

> It should be borne in mind that there is nothing more difficult to arrange, more doubtful of success, and more dangerous to carry through than initiating changes in a state's constitution. The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new. ... In consequence, whenever those who oppose the changes can do so, they attack vigorously, and the defence made by the others is only lukewarm.

Machiavelli's favoured solution to such a problem was to replace some key managers with new ones of the innovator's own choice, thus ensuring their support as well as giving a strong message to the retained managers that resistance would not be tolerated. This is almost exactly what Mounter did:

> In the first year and a bit, I changed over 50 senior management jobs. A lot went out of the organisation. I gave them plenty of time, but they resisted, they argued, they wouldn't have it. ... I brought something like 20 Kiwis (from abroad) ... back into senior management positions. And I hired Kiwis here and promoted from within. This allowed us to rapidly build a team that agreed that there had to be a change. (p. 29)

The active strategies set in place to deny TV3 the means of establishing a substantial foothold in the market would be a useful guide to other organisations facing a similar threat. The two-pronged approach adopted was simple yet effective. First, action was taken to ensure that all major sources of popular programming were tied up in long-term supply contracts, thus denying TV3 access to them. Second, TVNZ's managers were asked to concentrate efforts on working out what strategies they would adopt if they were running TV3. This was done for every significant area of operation. The simulated strategies were then analysed to identify any weaknesses that needed to be addressed within TVNZ if the strategies were to be countered. This approach was spectacularly successful and largely responsible for TV3 going into receivership within six months of entering the market.

Although the focus of the book is on the changes facing TVNZ, the lessons it presents are likely to be applicable to other organisations undergoing similar changes. Indeed, it is unlikely that other situations would be as complex as the television case, where economic imperatives were overlaid with an intricate mix of political and cultural objectives that compounded the difficulties of the transformation process. Consequently, not only those with an interest in television but also those interested in the process of privatising government enterprises should find the book attractive and appealing.

## References

Hotelling, H. (1929), 'Stability in Competition', *Economic Journal* 34: 41-57.

Macchiavelli, N. (1961), *The Prince,* trans. G. Bull, Penguin Books, Harmondsworth.

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