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Modelling the Evolution of the TV Drama Production Sector in the UK

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Richard Paterson

Abstract
This exploratory paper considers the evolution of drama production companies in the UK against the backdrop of regulatory interventions (Paterson, 2017a). In so doing, it poses the question of what was it that made a successful drama production company as the context of tv production changed. A set of firm types of current drama production companies is established, the density of companies occupying this niche mapped, and the growing heterogeneity of firm types over time identified. Firms within these types are examined applying the fitness landscape methodology, developed for the analysis of organisations from complexity theory (Kauffman, 1993). This approach offers a dynamic conception of an industrial sector in continuous change responding to the technological, market and the endogenous factors with which firms engage. The adaptive walks of a set of companies within each firm type are plotted by examining a company's reputation, their access to talent and their ability to secure commissions and raise finance for development and production. What becomes possible for a company at particular junctures – the adjacent possible - is variable, but as will be demonstrated routes to growth have tended to become normative once any innovation in organizational form is successful. The implications of this approach are broached in relation to further possible policy interventions and broader technological changes.

Introduction

There is an extensive literature on the market entry, growth and survival rate of firms in different industries. Much of the research suggests common threads irrespective of industrial sector although there remain many uncertainties and theoretical gaps in our understanding (Caves, 1997). However, arguably television production, and particularly tv drama production, have significant differences from other industries. Their activities require constant prototyping which in turn requires a different set of organisational capabilities from other industries[1]. Paraphrasing Coase, programme production firms exist because they marry the administrative and business elements of tv (seeking commissions and finance) with the creative capabilities needed to be successful. However, the production company seldom employs the key creators – scriptwriters - on staff contracts. The organizational forms taken do not exhibit a simple division between hierarchical or market solutions (Williamson, 1994). Furthermore, decision making and the boundaries within and between firms and agents are highly variable when comparing performance and content outcomes across the range of companies that now operate in the tv drama production niche in the UK.

The exploratory analysis in this working paper considers the structures and operations of tv drama production companies and seeks to provide a methodological framework, which when fully operationalized, would inform policy debates. Following a categorization of company types a series of case studies are detailed. Winter et al (2007: 406) have noted that as 'case studies consistently [...] reveal great complexity, the role of formal modelling is to provide structures that offer a relatively transparent analysis of key causal determinants'. Here, it is suggested that the granularity of firm types and how firms negotiate the marketplace of tv production can be modelled through the notion of a 'fitness landscape' first mooted by Kauffman (1993). Using the concept of the 'adaptive walk' the paper next seeks to detail how a series of case study firms have negotiated the fitness landscape. In particular, it elaborates the effects of external perturbations over time on their firm structures in what has become a competitive but legislatively defined marketplace as outlined in the previous working paper (Paterson 2017a)[2].

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[1] This point was also argued by Faulkner and Anderson (1987: 880).

[2] This paper began its life as an address to the Norwegian Research Council funded SiFTi project in Bristol in March 2015 and was further developed during my Industrial Fellowship in CREATe from Autumn 2015. The first part, 'The competition discourse in British broadcasting policy' was published as CREATe Working Paper

Market Size

The total global turnover of the UK independent sector in 2016 across all genres was £2.708 billion (Oliver and Ohlbaum for PACT, 2017). The top ten companies in the sector – all subsidiaries of the so called super-indie groups – registered a turnover of £876 million in 2016 (*Broadcast* Indie Survey, 2017)[3]. The size of the market for tv drama production in the UK has changed in recent years. There was a reduction in investment in drama identified by both the Ofcom 3rd Public Service Broadcasting (PSB) review in 2015 (Ofcom, 2015) and the subsequent PSB Annual Research Report (Ofcom, 2016). Spend on first run originated drama and soap opera by PSBs fell from £739m in 2008 to £565m in 2013 to £560m in 2015. Excluding continuous serials (soap operas) it fell from £487m (2008) to £328m (2013) to £311m in 2015. While the number of hours of first-run originated drama broadcast by the BBC since 2008 has been relatively static at around 250 hours per annum, there was a sharp drop in the drama offer in the ITV schedule from 320 hours in 2008 to 121 hours in 2015[4]. First run originated hours of continuous serials on the public service channels was relatively stable at around 630 hours[5]. There has been a reduction in the monopsony buyer power of the public service broadcasters as the competition dynamic has had a positive effect on the supplier base with new SVOD platforms, Netflix and Amazon Prime, as well as Sky, increasing the range and type of potential buyers/commissioning companies able to finance scripted drama. These changes coincided with an increase in the number of firms seeking scripted drama commissions.

More than 190 companies offer a capability of drama production according to data in the *Broadcast* Greenlight index and PACT's membership details. A comparison of success rates in securing commissions between the major suppliers is detailed in Appendix 1. An initial period of success for the larger consolidated companies' labels, was affected after 2012 as an increasing number of smaller companies gained single commissions. A significant number of these companies teamed up with larger and established firms in undertaking these productions, possibly to provide comfort to the commissioning broadcaster.

This brings into focus the question of the rationale for company foundations and their business models in different phases of industry development[6]. In order to generate an analytical framework for the sector it is necessary to understand its characteristics and the firms operating in it. Plotting the evolution of the sector over time provides insights into the changing population of companies operating in this space and enables the identification of the development of a range of firm types. This can be characterised as the fitness landscape in the drama production niche - a dynamic conception of

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2017/02 in early 2017. The author gratefully acknowledges support in developing this exploratory essay from the CREATe (Centre for Copyright and New Business Models in the Creative Economy) research programme (AH/K000179/1) and from the UK Economic and Social Research Council funded project 'TV Production in Transition: Independence, Scale and Sustainability' (ES/N015258/1). Since starting the paper the television production sector has continued to evolve and other related material has been published most notably, in December 2015, the Oliver and Ohlbaum report for Ofcom, *Trends in TV Production,* which covered some of the same ground. My thanks to Gillian Doyle for her comments on a previous draft of the paper, and particularly to Philip Schlesinger for both his precise editing and suggestions for more succinct conclusions.

[3] In their report for PACT, Oliver & Ohlbaum (2017) estimated the total turnover of the sector at £2.708bn. in 2016.

[4] 2008: 627 hours (BBC 251 hours, ITV 320 hours, C4 37 hours); 2010: 466 hours (BBC 254 hours, ITV 169 hours, C4 35 hours); 2013: 455 hours (BBC 249 hours, ITV 144 hours, C4 62 hours); 2014: 371 hours (BBC 226 hours, ITV 111 hours, C4 25 hours); 2015: 416 hours (BBC 247 hours, ITV 121 hours, C4 48 hours).

[5] 2008: 622 hours BBC/ITV/C4 197/294/131; 2010: 631 hours BBC/ITV/C4 203/299/132, 2015: 643 hours BBC/ITV/C4 199/306/128.

[6] See Paterson (2017b) for data and analysis relating to company foundations in the 1990s. There have been four distinct phases in the development of production companies outside the BBC or ITV: 1981-1996 Foundation and organic development; 1996 – 2003 Early consolidation; 2004 – 2011 Consolidation after introduction of new terms of trade; 2012 – current New buyers from global platforms plus new tax incentives. A slightly different description of these phases can be found in Oliver and Ohlbaum (2015).

an industrial sector in continuous change responding to the technological, market and the endogenous factors with which firms engage.

Identifying Company Types

In order to facilitate modelling of the sector and provide a broader analytic framework a number of 'types' of current drama production companies have been identified. With the dismantling of the duopoly structure in UK television the new competitive programme supply market spurred an array of company types to be formed in all genres. Until the consolidation phase began in the 2000s most drama production companies outside the duopoly broadcasters were 'independent' according to the legal definition in the 1990 Broadcasting Act. The drama production sector gained a greater level of maturity and stability in the 2000s and was singularly transformed when changes to the terms of trade in 2004 led to consolidation. A series of acquisitions by both consolidating UK companies (super-indies) and established overseas companies led to a rapid change in the ecology of the drama production sector. This was further accelerated both by the introduction of tax incentives for high-end television productions in 2014 and the emergence of new well-financed commissioning platforms. A heterogeneous set of firms and new company 'types' emerged ranging from labels in the super-indies to smaller start-ups.

Although caution is required when any notion of a 'representative firm' is considered (Coad, 2009: 6), it is useful methodologically to examine commonalities across the heterogeneity of companies producing drama. This facilitates the modelling of the characteristics of the landscape and its evolutionary dynamics. The 'types' outlined below offer a structure for analysis of the ecology of drama production that now exists and provide a basis for the subsequent analysis of changing business models and firm behaviour.

Firm Type 1. Duopoly-related label

The BBC Drama department's programmes were a key feature in the schedule from the 1960s, providing UK audiences with contemporary drama, adaptations and popular series. Today, the BBC's drama commissioning team is based in London and commissions from a wide range of independent production companies as well as BBC Studios. The recently-constituted BBC Studios now carries out drama production at, or from, Elstree, Cardiff and Glasgow. With the evolution of the broadcasting market, BBC's commercial distribution arm, BBC Worldwide, has become ever more important as an investor in drama commissioned by the BBC. In recent years, it has partly emulated the super-indies through acquisition or investment in a range of independent companies[7].

ITV Studios inherited the drama production capabilities of the network companies based in regional centres (including Manchester, Leeds, Birmingham and London,) which had long traditions of excellence based on the outputs of Granada Television, Yorkshire Television, Central Television and London Weekend Television. Now, ITV Studios produces drama in Salford and Leeds while ITV's commissioning team is based in London. In addition, ITV Studios now owns Mammoth Screen and World Productions and has minority shareholdings in a number of small companies (see Firm Type 4).

Firm Type 2. Acquired company in a consolidated super-indie

After the changes to the terms of trade the so-called super-indies – groups with significant investment capability - emerged through a series of acquisitions of smaller companies. Difficulties arose as some

[7] BBC Worldwide took a 37.5% stake in Lookout Point in 2014 which it increased to 49% in September 2016. In 2017, a new initiative between Access Entertainment, Lookout Point and BBC Worldwide, Benchmark was launched in another adaptation of the organizational and financial structuring of content production. From 1 April 2018 BBC Studios, subject to approval, will become a division of BBC Worldwide.

super-indies had broadcasting interests in the UK so that their output no longer qualified for the independent production quota. Legislative changes and a new commissioning regime at the BBC ensued (the Window of Creative Competition or WOCC) which allowed the broadcasters to continue to commission from these companies. Examples of companies specializing in scripted drama which have been acquired by a super-indie have included: Company, Neal Street (both All3Media); Tiger Aspect, Kudos, Artists' Studio (now all Endemol Shine); Daybreak (Tinopolis) and Touchpaper (Banijay).

Firm Type 3. *Studio subsidiary*

Several overseas studios with existing film and television production and distribution operations also acquired smaller independent drama production companies after changes to the terms of trade. There are now many similarities between types 2 and 3, as the 'super-indie' consolidators have integrated vertically into distribution which was one of the historic strengths of the studios. The studio-acquired drama production companies included: Carnival (NBCUniversal); Left Bank (SONY); Red (Studio Canal); Wall to Wall (Warner Bros.).

Firm Type 4. *Tied qualifying independent producer*

These firms are (or were) tied financially to one of the broadcasters but able to retain quota rights as a qualifying independent because the broadcaster had a less than 25% ownership share. Examples include: Blue Heaven (Meridian); Corona Pictures (Fremantle); Fable, Blueprint TV (Sony); Route 24 (ITVS Global); Bad Wolf (Access Entertainment); Expectations, Two Cities Television (BBC Worldwide).

Firm Type 5. *Qualifying independent producer*

The 'true' or qualifying independent companies, within the legal definition of that term from the Broadcasting Act 1990 (as subsequently amended), are those firms which have no shareholding by a broadcaster or super-indie. In the initial period of company foundations until the late 1990s most companies would have fallen into this type. With consolidation, the number has reduced significantly. Examples include: Zenith Media (after 2003); Hartswood Pictures; Hat Trick; LA Productions; Origin Pictures; Drama Republic; Red Planet Pictures.

Firm Type 6. *Writer-owned indie*

These firms were set up by writers in order to maximise their income from their creative work. These companies are a sub-group of type 5 and frequently co-produce with a larger company as their *business* capacity for drama production is limited. This talent-led trend began in the early 2000s though many firms were not sustained consistently as their principals often wrote material for other companies where they had a strong relationship with a producer. Examples include: Red Planet, Abbottvision, and RSJ.

How to Analyse the Changes?

Ofcom's 2015 report to the Secretary of State for Culture, Media and Sport on the terms of trade found the market structures to be operating successfully in enabling entrants to the market. However, whether entrance to the market by some new companies is a sufficient criterion to leave the current interventions unchanged was not considered as the effects and reasons for the displacement of small culturally-centred companies by globally focused entities were not considered. For example, significant barriers to entry exist because of capability deficits at companies often stemming from lack of access to talent or finance.

The methodological challenge in analysing change in the sector is to develop an explanatory framework to describe the structures, business models and strategies adopted by drama production firms and then account for their relative success or failure. Alongside an examination of factors such as niche, density, genre, location, reputation, network, we need to understand the coevolution of firms: how every firm learns from others and frames its strategy to adapt to the changing competitive environment. What is needed is a framework which can explain activity in sectors that are responsive and creative, yet stable and orderly, and neither frozen nor chaotic. As noted above, this essay applies a novel methodology drawn from complexity theory – the notion of the adaptive walk and the related concept of a fitness landscape - to a number of case studies of companies from each firm 'type'.

However, before providing an outline of the methodology employed to explore these firm type case studies it is necessary to consider some broader salient issues which need to be taken into account in the analysis.

1. *The Changing structure of broadcasting*

Until the 1980s, most drama production was located in the vertically integrated BBC/ITV duopoly companies where creativity was housed, protected and aligned with a national agenda (cf. Caughie, 2000). Specific factors affected the evolution and growth in maturity of the drama production niche after the creation of Channel 4. The increase in drama company foundations in the 1990s can be attributed partly to major changes at the BBC and ITV. While the early independent production company founders had been drawn from ambitious or frustrated people from within the duopoly alongside new entrants to television, changes and redundancies at the BBC, with the introduction of Producer Choice, and at ITV with the fallout from franchise renewals, led to well-established drama producers forming companies[8].

The internal organisational dynamic at broadcasters was altered as commissioning teams replaced the departmental structures which had previously been the key decision centres. An Independent Commissioning Group at the BBC was set up to allay fears of favouritism towards internal producers. Over time, and with the introduction of the Window of Creative Competition in 2006, this led to increasing competition for commissions between independents and in-house production teams (with its logical endpoint the creation in 2016 of BBC Studios as a separate commercially-focused company).

Other tensions arose in the vertically-integrated broadcasters from these new contractual relationships, as the objectives of their distribution arm – selling programmes across the globe - were not necessarily in harmony with those of the commissioning or production arm. Contradictions emerged: while on the one hand the new system could be seen providing greater discipline to mitigate opportunistic behaviour (with efficiency gains and lower costs), this was not always in harmony with the goals of meeting audience needs in the domestic market while ensuring audience appeal in global markets.

2. *The firm population*

As argued in Paterson (2017a) the implementation of measures aligned with the dominant competition discourse were instrumental in changing the ecology of the independent production sector after 2002. Cerny (1997) has identified what he calls a new type of 'competition state' whose central priority is to create a favorable investment climate for organizational capital, while Noam (2016) has suggested there is a relationship between population size and market density. These two factors have increasingly influenced the cultural address for any tv programme produced in the UK market and provide the background to assess the fitness landscape of the sector. Maintaining a well-functioning production hub with a skilled workforce and technically sophisticated facilities has been seen as a

[8] See Paterson, 2017b.

justification for tax incentives for film and tv but, as Esser (2017) notes in relation to the format trade, this situation will always be subject to challenge[9].

The population of firms in the independent production sector in the early 1980s surged with new company foundations taking advantage of the establishment of Channel 4 (Paterson 2017b). However, there were very few companies then able to claim competence in tv drama production and little capacity for growth or likelihood of attracting investment to finance development work. Few *drama* production companies were founded: the barriers to entry were high and Channel 4 devoted much of its drama spend to FilmFour, supporting British film production[10]. In the late 1990s, there was an increase in the number of drama-producing start-ups with the entry of producers leaving the duopoly to become company owners. There was an ever-stronger motivation for broadcasters to outsource in order to gain access to the complementary competencies through tacit knowledge exchange with the highly competent and known individuals working in these production companies.

After the change to the terms of trade implemented in 2004 the number of companies operating in the drama space increased as the retention of rights attaching to programme commissions enabled companies to benefit from their exploitation in secondary markets[11]. How companies negotiate any market is highly variable. Small firms are not scaled-down versions of larger firms and their operations are dependent on numerous contingent factors. For many owner-managers of small businesses, the main objective remains 'independence'. However, while firm growth is idiosyncratic and it is difficult to generalise across the growth experiences of firms in tv drama production, there are regularities which application of the typology above begins to identify.

It has been suggested (Coad, 2007: 129) that small firms have an advantage in serving niche markets for specialised products. Small firms can thrive in the 'interstices' of major markets, in niche sub-markets that are not large enough to support large firms. Arguably the 'labels' strategy adopted by the super-indies with central management and administration and devolved creative production, attempts the best of both worlds: flexibility and responsiveness, efficient information flow and quicker decision-making.

Analysis of the data on drama productions between 2004 and 2008 revealed an initial commissioning skew to longer established companies. The BBC in-house productions secured a high percentage of commissions, with the subsidiaries of the super-indie consolidators increasing their share of BBC work after the introduction of the Window of Creative Competition (WOCC). The other major producers of drama in this period were ITV and three independent production companies (Carnival, Company and Kudos) only one of which (Company, part of All3Media) was at the time a label in a super-indie. The balance gradually altered as new commissions were more evenly distributed between companies, large and small as returning series weren't recommissioned.

3. *Buyer hierarchies and changing market conditions*

Asset specificity has increasingly defined the changing motivations (and hierarchies) in the construction of complex firm-to-firm relationships between commissioning broadcasters and the production sector. Arguably, the powerful super-indies now exercise a greater influence on programmes commissioned and produced to the detriment of smaller firms because of their easier access to deficit finance and their ability to contract the best talent. Dampening the opportunistic behaviour of larger companies tied to their global positioning and financial power arguably may

[9] There is a precedent for the inherent risk associated with dependence on US investment in the UK's screen industry: in the late 1960s most US companies with UK operations, many of which had been set up to meet quota requirements, quit the UK when their parent companies were in financial difficulty.
[10] The exception was Mersey Television, founded by Phil Redmond a former writer for the BBC, and bankrolled by Channel 4 to produce the continuing serial *Brookside.*
[11] There has been an increase in the number of firms seeking scripted drama commissions despite the falling investment by the public service broadcasters in this genre.

require changes in regulations to ensure the market remains truly competitive. The danger continues to be that an increasingly global view of audiences for any commission influences decisions and contradicts the public service remits of the national broadcasters and their primary role of catering to the domestic audience. The market influence of the globally-oriented groups is now closer to and in some instances greater than that of the broadcasters' commissioners. The emergence of the SVOD platforms as commissioners, where producers retain no ongoing exploitation rights in their IP, as the platform takes all rights in return for a one-off fee, has further complicated the situation[12]. The terms of trade were conveniently overlooked when these opportunities arose and though PACT has endorsed the emergence of this mixed market model it might be increasingly difficult to justify Government intervention to sustain it. Competing buyers ensure continuing opportunities to sell to another buyer if the first declines but the market uncertainties favour well-capitalized (sustainable) companies making acquisition by one of the consolidators ever more attractive to small independents.

4. *Talent*

Although firms vary enormously in the ways they perform functionally similar activities (cf. Dosi, 2000: 11; Nelson and Winter, 2000) one centrally defining aspect of drama production is their dependence on a freelance workforce for much of the creative input. This is always potentially problematic for start-up companies wishing to produce in this genre unless they have existing strong ties with key personnel. Any drama production company is reliant on writers, who are invariably freelance. The ability of producers at a production company to attract star writers or discover new writing talent is critical: every new programme developed in some way is a prototype. Companies have to maintain a level of innovation in their development work by contracting writers who may have good relationships with the company but also frequently work in parallel with other firms on future projects[13].

The possibility of setting up a drama production company or extending an existing company's areas of expertise to this genre, has always been hindered by the limited pool of writers hindered. Not only did this limit the potential growth of incumbents it also acted as a deterrent to firms working in other genre from moving into drama. As Coad (2009: p.5) has noted: 'competitive advantage rests to a large extent on accumulated firm-specific resources as well as production capabilities that have been carefully developed over time'.

5. *Access to finance*

Access to finance has long been identified as a key factor which inhibited the growth and sustainability of firms in the independent television production sector. Indeed, alongside competition law, it could be argued that it has been a defining factor in the changes wrought in the last 30 years. Smaller firms in most industries have a precarious financial structure and can only plan over a short time-horizon, often relying on retained profits to fund their investment projects. Larger firms rely on funds from equity issues while banks are by far the main source of finance for smaller firms (see Hughes, 1997).

Following the changes to the terms of trade in 2004 there was an increasing need for independent production companies to secure gap or deficit financing on drama commissions. Budget shortfalls following the reduction in UK broadcasters' drama budgets (Oliver & Ohlbaum, 2014: 45) have been met from increased third-party investment, co-production finance or finances from tax breaks and a squeeze on the margins of the production companies themselves as the broadcasters began offering

[12] Mediatique (2014) examined the market context for Ofcom focusing on the factors influencing the commissioning decisions of British broadcasters.
[13] Cf. the work of Miller and Shamsie (1996) on the changes to the operations of the Hollywood film studios after 1950 in the unpredictable post-television environment.

lower tariffs to productions (sometimes only 75% according to one independent producer[14]). An examination of the data on the High-end Television Tax Relief shows a wide range of UK firms availing themselves of its benefits. Recipients include the BBC, ITV Studios/Mammoth Screen and the super-indie labels (Carnival, Kudos and Endemol Shine) as well as many small drama production companies[15]. This has meant that, where the company was not part of a larger super-indie, or with a link to a distributor with access to finance to bankroll the production, they might have to use their backend share[16] from the rights gained under the new terms of trade. The requirement for investment by third parties in drama has introduced the involvement of other agents in the production finance process alongside the UK commissioning broadcasters[17]. This model has been a longstanding part of feature film financing to the disadvantage of UK independent films where access to finance has been a longstanding problem (Middleton, 1996).

6. The consolidation processes

There was no *prima facie* compelling reason for the consolidation process that led to the acquisition of a range of drama production companies by the super-indies and studios in the immediate aftermath of the change to the terms of trade[18]. Acquisition bought the sunk endogenous costs of goodwill and reputation based on the individuals running the company, indeed often the founders, who were usually contracted to remain in the company for a set period. There were exceptions such as Thames Television, which was uniquely endowed with its library from a decades-long network franchise, which was bought by the UK-conglomerate Pearson then sold on to the German media giant Bertelsmann[19].

Esser (2016) has argued that the spate of acquisitions by the super-indies, particularly for companies specializing in formats, resulted from the increased need for US media to secure their global market dominance. However, close examination of the companies acquiring drama labels indicates that while this may have been the case in some instances there were significant differences. As will be explored below, adaptive walks and the notion of adjacent possibility, provide a more nuanced theoretical framing for these strategies.

So, why did the different firms decide to make acquisitions rather than build their businesses organically? Caves (1998: 1971) referencing Baldwin (1995) has suggested that 'acquisition rates are high in just those industries surrounded by structural barriers to entry, in particular production scale economies, product differentiation, control of proprietary controls. The skills scarcities would be one factor in these decisions. In terms of company foundations, Caves (1998: 1971) claims that 'structural entry barriers […] exert their effect not simply by limiting an industry's equilibrium number of firms but also by altering the gross number and failure rates of entrants trying their luck, the mixture of types of entrant.' If both factors are combined it is possible that there is a minimum economic scale for drama production companies which is recognized by the owners of small companies who see no other route to sustainability than through major investment by a third party or being acquired by a larger, well-financed group. Although large organisations tend to be seen as less motivating for creative workers than small companies, expansion requires a well-ordered management capacity to search for opportunities to grow. It is perhaps significant that the ex-Granada trio behind the

[14] Tony Jordan, Managing Director of Red Planet, talking at the Media Production Show, London, June 2016.
[15] High-end Television Tax Reliefs were introduced in 2013 by the UK Government and were available to any company which was spending more than £1 million per hour on production costs of which at least 25% was in the UK. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487448/Creatives_Statistics__-_Additional_Tables_HETV_2_1b_and_2_3-2_6_Dec_2015.pdf.
[16] The share of the profit from the production.
[17] Recent involvement by Access Entertainment, for example.
[18] There was a history of US studios setting up UK operations in film production which possibly influenced these decisions.
[19] See Oliver & Ohlbaum (2015) pp.62-70 for details of the consolidation process in the UK production sector.

establishment of All3Media had worked at a senior level in an internationally-focused company before they built the super-indie through a series of acquisitions. With the reconfiguration of the companies involved in drama production following consolidation, an equilibrium seems to have emerged between these consolidators. This does not appear to have inhibited new entrants from coming into drama production, albeit that many of these entrants have some link to the major players through minority shareholdings.

The Fitness Landscape Approach

There is a clear methodological challenge in seeking to interpret and explain firm strategies in the very specific tv drama production sector. The common objective of all six firm types identified above is to produce television drama programming but a set of different pathways and a heterogeneous set of companies has emerged[20]. In this essay the fitness landscape analytical approach - complexity theory applied to organizational changes - drawing on the work of Stuart Kauffman (1993) is used in a series of case studies in an attempt to gain a better understanding of the changes which have occurred in firms in this one distinctive genre of the production sector. This approach has the potential to provide an additional level of understanding of the space inhabited by, and operations of, firms in tv production.

Firms in the same sector in many industries have often been found to adopt similar strategies. Simon's (1978) pioneering work on bounded rationality provided a significant change in the analytical framework of organisations. Its precepts have been expanded in different ways. Hannan and Freeman (1977) have argued that isomorphism, that is keeping the same sets and relation between elements, can result because non-optimal forms are selected out of a population of organisations or because organizational decision makers learn appropriate responses and adjust their behaviour accordingly. Audretsch and Mahmood (1995) found that the hazard rate for entrants increases with an industry's capital intensity and that successful entrants achieve high average rates of growth. Klepper (1997) has suggested the number of firms rises to a peak when output is still growing before plateauing and sometimes declining. DiMaggio and Powell (1983) invoked the concept of isomorphism in establishing how and why changes in firm types occur, focusing on market competition, niche change and opportunity, and fitness measures. Equally relevant is the resource-based view of the firm (e.g. Barney, 1991; Black and Boal, 1994) which focused on the resources deployed by firms rather than their products in the quest for sustainable competitive advantage. Wakkee et al (2015: 171) noted the significance of 'the *growth capabilities* on which firms can build, the choices they make regarding the *plans* they articulate and *paths* they choose to achieve growth'. Opportunities for growth differ according to many factors: there are different phase spaces in any industry (Fein et al, 2014: 271), which influence what is possible at any particular time and it is this dynamic aspect that commends exploring the use of the fitness landscape approach.

For Kauffman (1993), fitness landscapes are complex systems that can also be characterised by the evidence of multiple favourable factors (multiple optima) enabling co-adaptation[21]. Kaufmann and Macready (2005), in developing the conceptual framework in relation to organizations, have described how 'rugged' fitness landscapes contain several peaks. Each time there have been policy

[20] The use of the concept 'firm' is somewhat problematic in the context of this essay inasmuch as the companies in Types 1, 2 and 3 are in fact labels within larger groups. Some firms report independently to Companies House, others through their parent company.

[21] Kauffman's model - known as the Nk model - originates in tools of statistical physics bearing on population biology and captures webs of epistatic interactions, where one element dominates others, to model its statistical features. There is insufficient data available to develop this framework fully here and Fein, working with Kauffman and others (2014), suggested that there is an issue about whether this approach can be anything more than metaphorical in organization studies as it cannot explain innovation. They introduce the notion of 'adjacent possibility'. The introduction of an enumeration of interactions in the complex business environment as part of the explanation for the process of evolution of a firm's business model has great potential albeit that some firms will get stuck on sub-optimal peaks (Rivkin and Siggelkow, 2002).

interventions or technologically driven changes, a string with new optima in firms has been set, so that, it is postulated, the next mutation starts from this new string. Firms have to negotiate new contexts as they arise and achieve different optima defined by any revision to their business model. For television drama production, this will include factors such as changes in their access to talent, reputation and recognition by commissioning editors, and sufficient financial stability to enable development. As coevolution is involved, there is a process of coupling of landscapes where the adaptive moves of each entity alter the landscape of its neighbours. This creates knowledge spillovers and new growth opportunities, which in turn provide an impetus for further changes which might include expansion through acquisition.

Other researchers, notably McKelvey (1999), have translated Kauffman's model of co-evolutionary complexity into a firm context by interrogating value-chain competences as parts of a firm. He considers what he terms multilevel co-evolutionary complexity to function among parts within a firm; and between the parts of a firm and the parts in competing firms. Modelling firms thus, he contends, allows us better to understand how value chain fitness - the dependent variable - is affected by changes in the number of internal interdependencies.

Fitness levels, however defined, are related to competences within a firm, or between a firm and an opponent[22]. Acquisition of companies, which in most cases has been principally the acquisition of a set of competences of key individuals, has been a feature of recent activity in the tv sector. It can be accompanied by considerable organisational stresses, leading to substantial transformations and complex interactions between individuals within the organization, as well as the organization and the evolving environment (Garnsey et al, 2006). Some failures which follow an acquisition such as that of Box TV's acquisition by DCD Media, seem inevitable (see below). Furthermore, it has been claimed that in relation to complex organisational interdependencies, 'moderate complexity fares best and external complexity sets an upper bound to advantages likely to be gained from internal complexity' (Kauffman, 1993: 294). In relation to tv drama production this is borne out by two factors: the commissioning ties which favour larger financially strong production companies, and the relationships of writers to companies. There are close parallels with Uzzi's and Spiro's (2005) work on 'small worlds' in relation to the writer-producer dyad which is frequently a critical factor in high-end drama production where the access to the writer is complemented by easier access to a commissioning editor for certain companies.

In that sense, it is important to counter any suggestion that the analysis of structures and organisational dynamics does not incorporate agency. Therefore, for example, Rivkin and Siggelow (2002: 41) have asserted that while 'the application of fitness landscapes [….] has clearly enhanced our understanding of how human organisations search for good solutions to the complex problems they face [....] models and concepts developed in one context must be tailored with great care to fit other settings. Features such as hierarchy, authority, and incentives, which may not have counterparts in biological or physical sciences, are central to human organisations and need to be incorporated into researchers' tools'. They also note the importance of real world, often patterned, interaction networks and how interdependent decisions have to be taken by a firm's management team. A proxy for these aspects of agency is captured in this paper for the analysis of production companies through personnel movement between firms, with, as noted, the relationships between writers and producers as important factors.

The Heterogeneity of Firms

There were few drama-only companies already operational and very few were founded in the early 1980s. Drama production capabilities increased over time as some existing firms established drama departments alongside the foundation of new drama specialist companies by staff leaving the duopoly broadcasters. By the late 1990s a distinctive set of drama production companies was operational.

[22] Fitness of a company is defined by attributes which enable it to perform successfully in the changing circumstances of a sector.

Today, there are nearly 200 drama production companies listed in the *Broadcast* Greenlight index or with membership of PACT, which indicate a capability, or have been commissioned, in the last ten years.

The proliferation and success of new companies seeking and gaining drama commissions after 2008 accounts for the gradual reduction in commissions previously gained by the major players. However, over time these incursions into the market share of the major players have lessened. The current optima in the population of firm types have resulted in seemingly similar business models for consolidated groups so that an apparent equilibrium, verging on oligopoly, seems to be emerging at that level. Notwithstanding these changes, firm foundations continue and a small number of 'true' or tied independent companies continue to be successful.

The explanations for a changing mix of company types over time are various. Those setting up a new company have included principals of acquired companies fulfilling the contracted retention period, ambitious producers leaving senior roles within broadcasters seeking to secure their own fortunes, writers frustrated by their small share of revenues generated by successful programmes[23]. For Ofcom (2015), in their study of the continuing role of the terms of trade, failing an alternative methodology for evaluating a successful sector, this understandably signalled a healthy and competitive sector.

The business strategies of the consolidators have evolved as the market dynamics have changed. For example, SONY disinvested from factual producers Gogglebox and Victory in 2016 and, with the commission from Netflix for *The Crown,* alongside a stake in Fable and Blueprint Television, identified high-end drama as an area for additional investment in the UK[24]. In 2016-2017 Fremantle joined the investment path in drama production with shares in start-ups Dancing Ledge and Corona Pictures and the revival of Euston Films, while ITV Studios acquired World Productions and invested in Route 24. Warner Bros Television has been making acquisitions in markets across Europe but in the UK has seemed content to remain outside the drama production business (other than where an acquired company such as Wall to Wall had a returning series). NBC Universal through its subsidiary Carnival had a major hit with *Downton Abbey* and, after a comparative lack of success with any follow up, was commissioned by Sky to produce *Jamestown* billed as 'by the producers of Downton Abbey'. Working Title, also owned by NBC Universal, had not had success in tv drama but, in 2016, actively re-engaged with the appointment of new dedicated staff. Endemol Shine increasingly focused on their genre-specific key labels for new drama commissions as they emerged from their merger in 2016. Red's acquisition by Studio Canal led to a series of joint ventures in the US and UK.

For smaller companies the primary logic and driver of being acquired was often to gain access to finance. Where before there was an absence in the UK of a company able to match these financial investments for acquisitions, latterly both ITV Studios' acquisition of Mammoth Screen and BBC Worldwide's significant stake in Lookout Point suggest a changed scenario. However, no 'new' independent has yet embarked on the path to growth and scalability without becoming part of an existing consolidated group. The emergence of Access Entertainment as a major source of financial investment with a stake, alongside BBC Worldwide's minority stake and Welsh Government investment, in Bad Wolf Productions, as well as the creation of Benchmark by BBC Worldwide, Access and Lookout Point, suggests a continued evolution of the ecology through the emergence of a novel 'adjacent possible', a space which emerges for expansion as the market changes. (Fein, T. et al, 2014: 277).

Some established UK drama producers do seem to be in a position to have the potential for scalability but, as noted by Coad (2007) in his survey of growth strategies, not all companies are interested in that path. There are qualifying independent companies with a strong track record such as Hartswood, producer of the *Sherlock* series for the BBC, or Hat Trick, who are specialists in narrative comedy and

[23] See Paterson (2017) for an analysis of entrepreneurial activity in the UK independent production sector in the 1990s. Oliver & Ohlbaum (2015: 34) lists the provenance of 17 new entrants in 2014.
[24] See White (2016) 'Sony launches major UK push', *Broadcast* 1 September 2016.

have also secured many drama commissions. These might be expected to be targets for acquisition by another company but remain independent.

Firms have very different dynamics and a company which has succeeded in gaining a one-off commission has a different set of organisational and economic underpinnings to those of a label within a super-indie or part of the legacy duopoly company where, in both cases, finance and a business management infrastructure is in place. The risks associated with commissioning a small company as opposed to one with significant financial resources and an established reputation affect decisions by the broadcasters and, in turn, have an effect on the multi-peak fitness landscape. In other words, the range of possible business models available in the drama production sector defines not only the broadcaster response to a new company and how the company positions itself strategically, but also the shape of any interventions to sustain a competitive market.

Adaptive Walks

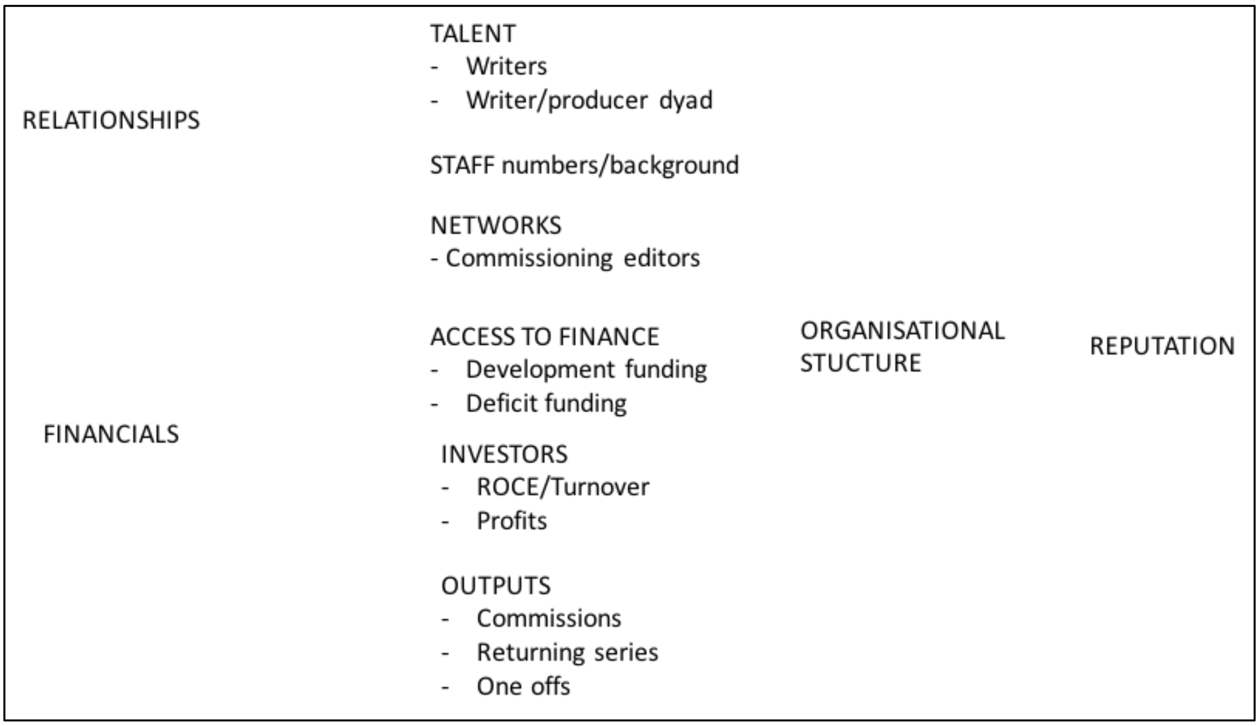
Kauffman (1993: 39) introduced the image of the adaptive walk as part of his evolutionary model of the fitness landscape in which 'the fitter type rapidly takes over the entire population'. Kauffman and Levin (1987: 12) had earlier contended that "the adaptive landscape undulates in response to environmental variation. Adaptation is a response to past environments, rather than an anticipation of the future. […] 'fitness' […] depends upon its environmental context'. McKelvey (2003) explored adaptive tension as an explanation for emergent order in organisations focusing on entanglements in the coarse graining which secures effective structures.

In this analysis, in order to utilize the fitness landscape methodology and the notion of the adaptive walk, a series of proxies have been identified for the optima in the evolving business models of drama production companies. The optima proxies used here approximate to the factors contributing to success or failure in a firm over time by tracking turnover, number of commissions or hours of broadcast alongside measures of access to talent and reputation. These provide a measure of the calculative practice used by agents inside and outside production companies as market positions were adjusted as their configuration adapted to regulatory interventions and market opportunities.

Each company contends with the rugged fitness landscape of the sector, and in television drama production there is acute awareness of competitors in the market. This situation provides the commissioning bodies with considerable bargaining power but can also lead to a degree of risk aversion in the production companies. What is clear is that the fitness landscape in drama production, and the operationalization of different business models, has evolved through a series of disruptions, which has transformed the ecology and approach of active companies. Each company was founded at a different time and so will have encountered external factors at distinct junctures in their existence, but each will have navigated survival, closure or growth, and responded to the coevolutionary pressures, at key transitions in the sector. As will be shown below, the common operational factors, or optima, are set at varying levels of intensity within different firm types. This accords with McKelvey's (1999) contention that sub-optimal positions are sometimes satisfactory for companies operating in a rugged landscape. There will be clear differences of expectation (and who holds those expectations) between an owned and self-managed firm, one which has major investors but remains independent, and one which is part of a larger corporation. Furthermore, Rivkin and Siggelkow (2002) after simulating Kauffman's modelling approach by focusing on organizational decision making, introduced the notion of sticking points in landscapes caused by incidents of managerial friction and disagreement.

Fig. 1 below shows the factors influencing the performance of drama production companies. The critical elements are the sets of relationships and the financial underpinnings, supported by an organizational structure: performance within these parameters leads to a reputation which can then reinforce the relationships, financial underpinnings and consequent cycles of commissioning. However, each firm type is differentiated by the combination of these elements which then affects both the levels of dependency and whether critical decisions are negotiated within the company or externally (Rivkin and Siggelkow, 2007: 1078). The incidence of additional transaction costs therefore also varies between firm types as will be outlined below.

Fig. 1 Influences on Performances of Drama Production Companies



Case Studies[25]

In this series of case studies, the adaptive walk is applied to the organisational evolution of individual firms in the drama production sector. It provides an initial mapping of the co-evolutionary complexity across the different firm types over the last three decades. All the firms have undergone adaptive walks to different levels and achieved variable degrees of success. At the same time, other companies have failed to adapt and have ceased operations[26]. Each case study firm is analysed in terms of the external interventions and market changes that have impinged on its internal dynamics as it has followed or altered the logic of its business model and the associated optima. This approach therefore models the processes and factors influencing each firm's development within the evolving fitness landscape of tv drama production.

In each firm-type a number of companies are examined, and significant step-changes in their operations over time are described, enabling an exploration of the constitutive framework of these alterations for each firm type and its specific attributes[27]. Calculative practices of agents both within and between companies are considered and illuminate complexities in the analysis and offer clues as to why some succeed while others fail in the quest for stability, growth (where desired) and profitability. For each firm, the level reached in the series of proxy indicators of success (the optima) is examined including commissions (both new and repeat programmes), reputation, turnover, staff

[25] Further information on the case study companies is included in Appendix 3. The sources for this information have included the Companies House web site, *Broadcast*, Imdb.com, bfi.org.uk/ftvb, and the websites of PACT and individual production companies.

[26] Many of the firms which list a competence in drama production in the PACT membership list fail to secure a single commission and then cease operations. There is no data for these firms to allow an analysis of why they failed.

[27] The granularity of decision making in the firms which inform Rivkin and Siggelow's (2002) simulation cannot be replicated here.

resource, and network capital (relationships between writers, producers, and commissioners). Fuller information for each company is contained in Appendix 3.

The key factors of potential significance identified in this first iteration of the case study approach are:
- external change (interventions, response to market development, particularly technological changes and financial pressures);
- personnel entry and exit from company;
- relationships and access to talent (producer-writer, commissioning editor);
- access to finance (investment);
- number and type of commissions.

Firm Type 1 – Duopoly-related label

Neither in-house production at BBC Drama nor ITV Drama have been analysed here[28]. The histories, business models and organizational structures of both these production units were radically different from those in other parts of the industry. The BBC and the pre-consolidation ITV network companies (Granada, Thames, LWT, Central/ATV and Yorkshire) were the two major producers of television drama in the UK from the 1950s until the fundamental changes wrought in the 1980s. As the data in Appendix 1 confirm, this dominance in terms of number of programmes produced has continued but erosion of in-house production at the BBC with the introduction of the Window of Creative Competition and a changing orientation at ITV have led to new arrangements[29].

The reorientation of production operations in both the BBC and ITV have led to the creation of BBC Studios and ITV Studios. ITV Studios, through ITV Studios Global Entertainment, has become a major international production group which bears traces of the old network company operations through, for example, the continued in-house production of *Coronation Street* and *Emmerdale,* alongside acquisition of non-UK production companies such as Talpa, acquisition of UK independent production companies such as Mammoth Screen, and investment in small UK independent start-ups. This makes their operations closer in many ways to those of the firms classified under Firm Types 2 and 3.

In the run-up to Charter renewal in 2016, the BBC decided to follow a similar path although, because its public service operations are constrained by state aid laws, with a slightly different roll-out. BBC Worldwide, its commercial subsidiary, had invested in a number of independent production companies over a number of years often with minority stakes. One of these, Lookout Point, has followed a unique pathway described below. From April 2017, a major part of BBC production which had been carried out by the corporation was transferred to a new commercial subsidiary, BBC Studios, and all future commissions will be awarded in direct competition with the independent sector. BBC Studios is also now able to seek commissions from other broadcasters.

Mammoth Screen was set up by two senior former executives at ITV Productions in 2007 with initial financial support from ITV Global Entertainment. It was then fully acquired eight years later by ITV Studios. The initial foundation stage of the company has the hallmarks of a sweetheart deal, which enabled ITV to meet the independent quota requirements at the time. The acquisition by ITV Studios is in line with the change in its business model to focus on its production business and retention of IP for global exploitation. The BBC's introduction of the WOCC provided a significant volume of commissions including *Parade's End,* written by Tom Stoppard (co-produced with Lookout Point), and *Christopher and his kind,* written by Geoffrey Sax. The company has few writer-producer dyads

[28] The history of British tv drama into the 1990s was mapped by Caughie (2000). In her study of the BBC in the late 1990s, Born (2004) includes a detailed analysis of drama production norms at the BBC as well as the relationship of in-house production with BBC Worldwide.
[29] Certain caveats apply to this data, which should only be seen as indicative. It does not cover all drama that was commissioned in-house, so that the continuing series from both ITV and BBC (*Coronation Street, Emmerdale, EastEnders, Holby City*, *Casualty* etc.) are not included.

but has employed writers Peter Bowker, Debbie Horsfield, Daisy Goodwin and Russell Lewis on major series. Staff numbers rose from eight in 2009 to seventeen in 2012, while turnover in 2012 was £24.6m.

Lookout Point was founded in 2009 and has had an unusual business model from its inception. From the outset, financial executive, Simon Vaughan, secured gap-funding for an ambitious slate with headline writers and a range of international co-producers to secure its role as a global co-production company. A number of early commissions in the UK were co-productions with other independent production companies. It has been the beneficiary (with Tiger Aspect/Endemol) of the establishment of Amazon Prime which commissioned the third series of *Ripper Street*. BBC Worldwide's initial 35% investment in 2014 was increased to 49% in September 2016. A joint venture, Benchmark Television, was set up with Access Entertainment and BBC Worldwide in 2017. The company has no in-house creative talent but hires star writers such as Andrew Davies and Julian Fellowes to develop and work on high profile global co-productions Annual turnover, staff numbers and programme hours are unavailable.

Features of adaptive walks of firm type 1 and their subsidiaries.
The strength of ITV Studios and the newly constituted BBC Studios derives from the financial strength of both the BBC and ITV. They have historically gained a significant number of commissions and prove attractive employers to both established and new writers and are able to deploy the significant strengths of their distribution arms. Both have nursery slopes for new writers based on their continuing serials while the BBC also operates a Writers' Room which provides a space for new writers to emerge. The subsidiaries of both public service broadcasters have exploited the adjacent possibilities which have been part of the business models which the consolidated groups and studios in Firm Types 2 and 3 have adopted by acquiring majority and minority stakes in smaller production companies in order to secure talented executives.

Firm Type 2 – Acquired company in a consolidated super-indie

The consolidated super-indies are: All3Media, Endemol Shine, Fremantlemedia, and Tinopolis. Each has a very specific history. All3Media, now owned by the US conglomerate Liberty Media and the Discovery Channel, was founded in 2003 by three former Granada Television executives with a £45 million investment by venture capital company Bridgepoint Capital which secured the television interests of the Chrysalis Group[30]. Their investment was sold on to Permira, another venture capital company, which took a majority stake in the company for £320 million in 2006. Permira explored a sale in 2011 but unable to achieve the value they expected withdrew, returning to the market in 2014 when Liberty Global and Discovery Communications paid a reported £550 million. Endemol Shine was formed in 2014 from the merger of Dutch-owned Endemol and the Fox-owned Shine both of which had previously been active in the acquisition market. At the point of merger Apollo Investment, a US company, took a 50% stake in the company. Restructuring followed in the wake of the merger with some changes in the specialisms of labels. Fremantle Media had an antecedent in the London-weekday franchise company Thames Television that had been acquired by Pearson in 1994 before being sold to RTL/Bertelsmann in 2000[31]. Tinopolis is the only UK-owned super-indie and received significant investment in 2008 from Vitruvian Partners, a venture capital company. It became a privately held company again in 2017. Banijay, the Paris-based consolidated group has limited operations in the UK but is seeking to expand[32]. The consolidated super-indies operate as umbrella organisations to a set of subsidiary companies which are sometimes called 'labels' imitating the music industry's longstanding jargon.

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30 Chrysalis TV was a prototypical consolidator and included Cactus TV, Bentley Productions, New Zealand's South Pacific Pictures, IDTV in the Netherlands and a distribution arm now called All3Media International. All3Media grew by acquiring a range of indies including Lion TV, Mersey TV and Company Pictures.
31 Esser (2016) offers a fuller account of the emergence of these groups.
32 See interview with Peter Langenberg, *Broadcast* p. 14-15, 21 July 2017.

Company Pictures (part of All3Media) was founded in 1998 when George Faber, previously Head of BBC Single Drama, and Charlie Pattinson, who had worked at both the Royal Court Theatre and the BBC, left the corporation at the time of Producer Choice. Their good relationships with star writers such as Jimmy McGovern and Paul Abbott was an important factor in establishing the credibility of the company. Their breakthrough hit was Paul Abbott's *Shameless* for Channel Four and they had returning series with *Inspector George Gently* (BBC), *Skins* (Channel 4) and *Wild at Heart* (ITV). Following the change in the terms of trade, Company was an early acquisition by All3Media in 2004. The transition in key personnel after the founders left in 2013 to set up their own separate companies was marked by a sharp reduction in turnover. Company's reputation was augmented significantly by its production of *Wolf Hall* broadcast in 2015, first commissioned in 2011. The only current returning series (2017) is *The Missing* written by Jack Williams a graduate from Company's nursery slopes. Company Pictures turnover rose from £16 million in 2002 when they employed 15 full time staff to £53.8 million in 2008 with a staff complement of 27. In the succeeding years staff numbers remained relatively stable till 2013 when a turnover of £52 million was achieved and they produced 48 hours of television. In 2015 the turnover was £15.3 million and staff numbers had fallen to 14 and programme output was only 12 hours.

Kudos Film and Television (part of Endemol Shine) was founded in 1992 by Stephen Garrett, former Commissioning Editor for Youth Programming at Channel 4, and Debbie Mason. Now a subsidiary of Endemol Shine, until 1999 the company focused on non-fiction programming. With the arrival of Sally Woodward Gentle and then Jane Featherstone (from Hat Trick) and its relationship with writers David Wolstencroft and later Tony Jordan (joining from BBC's *EastEnders*) and Chris Chibnall, the focus on returning series drama, such as *Spooks*, *Hustle* and *Broadchurch* became its trademark. Acquisition by Shine in 2006 for £35 million provided the financial cushion for continued development work with a range of writers on returning series. Turnover rose from £6 million in 2002 when Kudos employed 8 full time staff to £49 million in 2007 (employing 47 full time staff) falling back to £34 million in 2016 (with 28 full time staff). The departure of Garrett and Featherstone in 2015 and their replacement by Diederick Santer coincided with the Endemol Shine merger and the pursuit of commissions from new platforms like Sky Atlantic.

Tiger Aspect (part of Endemol Shine) was founded as Tiger Television 1988 by Peter Bennett-Jones from PBJ Management Agency and Charles Brand. Tiger merged in 1992 with Aspect Film and TV (1982-92) to become Tiger Aspect. Jones chaired Tiger Aspect until 2012. The company had success with comedy programming through the 1990s with occasional drama commissions often using personnel from its talent agency. In May 2001, Tiger Aspect restructured its senior management after expansion into film production, animation and new media. Joint MDs were appointed: Andrew Zein, who joined from BBC Planning and Strategy, together with Charles Brand who was in charge of creative programming. Zein became vice-chair of PACT in December 2001. In August 2002, the company conducted a comprehensive review of its cost base following the withdrawal of sale and leaseback funding in the Budget[33], with the first intimations of a possible sale to realise Tiger's value. In June 2006 firm was purchased by IMG Media. IMG underwent corporate restructuring in October 2009 and put Tiger Aspect (as well as another independent production company it owned, Darlow Smithson) up for sale. In November 2009, Endemol acquired the firm for £30m and Andrew Zein was appointed as Managing Director with tie-in deals signed for key creatives. Turnover rose from £38 million in 2002 (with 80 members of staff) to a high point of £76.9 million (104 staff) in 2007 falling back to £52 million (65 staff) in 2016. Returning series were commissioned by a wide range of broadcasters including comedies *Vicar of Dibley* 1994-2007 (BBC) and *Mr. Bean* 1990-1995 (Central)*;* and dramas *Murphy's Law* 2003-2007 (BBC); *Robin Hood* 2006-2009 (BBC); *Secret Diary of a Call Girl* 2007-2011 (ITV); *Ripper Street* 2013-2017 (BBC, then Amazon); *Mount Pleasant* 2011-2017 (Sky); *Bad Education* 2012-2014 (BBC); *Benidorm* 2007-2018 (ITV); *Peaky Blinders* 2014-2018 (BBC); *Fortitude* 2015-2017 (Sky Atlantic). In December 2014, Endemol Shine was formed from the merger of Endemol and Shine. A sub-brand of Tiger Aspect, Fifty Fathoms, was

[33] A beneficial tax scheme whereby company could sell the programme to a finance company and then lease it back long term.

created led by Patrick Spence (who had been Head of Drama, BBC Northern Ireland). In August 2012, Head of Comedy, Sophie Clarke-Jervoise, was appointed as Managing Director and, in an interview in February 2015 (Campbell, 2015) noted the company's 'collaborative environment [with] potential for production staff to rise organically through the ranks to create a unique "Tiger culture" is a significant factor'. Talent employed has included producer Greg Brenman (from 1993 to 2012, when he left to set up Drama Republic) and writers Kay Mellor, Simon Donald, Abi Morgan, Tony Grounds, Alan Cubitt, Dominic Minghella. Clark-Jervoise stepped down in February 2017 and was replaced by Ben Cavey from Tiger Aspect's comedy label Cave Bear. Will Gould became Joint Managing Director in 2017.

Neal Street (part of All3Media) was founded in 2003 by theatre and film director Sam Mendes, Pippa Harris (ex-BBC Head of Drama Commissioning) and Caro Newling. The company initially focused on its theatre and film production arms but its focus moved to tv with the commission of *Call the Midwife,* written by Heidi Thomas, having produced only one tv drama in its early years (in 2008), *Penny Dreadful* (in 2013) and *The Hollow Crown* (2010). Key to company tv success was the reputation and high profile of Sam Mendes alongside Harris' connections into BBC. Nicolas Brown joined from the BBC in 2012. Turnover rose from £15 million in 2013 (with eight members of staff) to £50 million in 2015 (nine members of staff). Neal Street was put up for sale for £40m in November 2014 after the success of its tv series and was acquired by All3Media March 2015.

Box TV was **f**ounded in 2000 by Gub Neal (formerly Head of Drama, Channel 4 and before that the Controller of Drama, Granada). Adrian Bate (formerly Head of Film and Drama, Zenith) joined the company in October 2006. The company was reliant on Neal's relationships with writers from his earlier executive roles in broadcasters. In 2001 a range of US commissions was secured for tv movies together with a first-view deal with the BBC for a slate of returnable series. Commissions included: *Sunday* 2003 (Channel 4, written by Jimmy McGovern); *Trust* 2003(BBC); *Warrior Queen* 2003 (ITV, written by Andre Davies); *Gunpowder, Treason and Plot* 2004 (BBC, written by Jimmy McGovern). In 2002 a film arm was set up and in 2003 the firm expanded into comedy. After its initial successes with star writer vehicles, a commission shortfall followed despite its reputation. In 2005, the expansion into film and comedy halted after unsuccessful pitches to ITV on two series. With the change in the terms of trade and industry-wide moves to consolidation, Box was acquired by DCD Media in December 2005 and merged into DCD Drama. DCD Media had been founded in 1999 and was quoted on the LSE. The tie-in period was short for the two key producers, Gub Neal and Adrian Bate, and both left the company in 2009. DCD Drama ceased to exist with DCD Media focusing on its factual labels (September Films, Rize and Prospect Pictures).

Artists' Studio (part of Endemol Shine) was founded in 2009 by Gub Neal after he left Box TV. After Neal's experience with DCD's acquisition of his first start up, Box TV, he set up Artists' Studio as a 'different kind of company' giving control to writers using a US writers' room approach with multiple screenwriters contributing to each script. Acquired by Endemol in 2014, confirming the importance of access to finance for scripted drama producers, although Artists' Studio remains a small company in relation to other Endemol Shine drama production companies. Its breakthrough series was *The Fall*, commissioned in 2012 for the BBC, on which Alan Cubitt acted as writer and executive producer.

Features of adaptive walks of firm type 2

The companies in this firm type were founded by established industry figures and, apart from Box TV, flourished following acquisition by a consolidator after the change in the terms of trade in 2004. The firms acquired by the various consolidators vary considerably in size and background, but most deals have involved tying established industry figures into the group for a period of time. The motivation for acquisition was usually based on the ability of key producers to attract writer talent and then secure critical acclaim and significant audiences. The motivation for being acquired has included the recognition of a need for secure financial backing in order to enable development work.

After acquisition, the labels in the consolidated super-indies faced increased internal transaction costs because of the need to liaise with corporate headquarters. However, there are also lower external transaction costs given the reduced need for access to external finance and arguably because the reputation of the company principal better enables easier access to commissioning editors. Financial strength also enables access to a wider writer pool thus reducing dependency on writing talent to some extent leading to less emphasis on maintaining strong ties to particular writers. The common objective for all companies – sustaining reputation – requires critically and commercially successful productions which, in turn, makes recruitment of key freelance creative staff easier. The failure of DCD Media to capitalize on the reputations of the principals of Box TV suggests that there is no guarantee of successful integration of a label into a consolidated group.

Firm Type 3 - Studio subsidiary

The US studios have been dominant in global markets for decades. NBCUniversal, Warner Bros TV and Sony Pictures Television acquired UK drama production subsidiaries in the consolidation phase after 2004 once this pattern of growth had been established by companies in Firm Type 2. Studio Canal, the French vertically integrated company, followed the same course in 2014.

Carnival (NBCUniversal) was founded in 1978 by Brian Eastman as Picture Partnership Productions and eventually left the company in 2008. Carnival is the oldest surviving independent drama production company which, unusually, grew out of the advertising production sector. It established its reputation through early Channel 4 and BBC commissions of high end mini-series. It was an early beneficiary of the indie quota regime with series for ITV and BBC, as well as through recruitment of former BBC drama personnel. Its continuing success was based on returning series including, most notably, *Downton Abbey*. The company has employed a number of key writers including Clive Exton, Anthony Horowitz, Brian Clemens and Julian Fellowes.

The company's turnover rose from £6.4 million in 1991 (with 11 members of staff) to £21.3 million (17 staff) in 2007. In 2005 Southern Star took a major stake in the company providing access to finance for development but full acquisition by NBC Universal followed in 2008 securing the continuing financial stability of the company allied with distribution across international markets. Turnover in 2015 was £114 million – buoyed by revenues from *Downton Abbey*, and Carnival employed 20 staff.

Red (Studio Canal) was founded in 1998 by Nicola Shindler. Shindler had previously worked as a script editor at Granada and producer for BBC and has built a reputation based on her ability to identify writer talent. The company is based in Manchester, inheriting important elements of the Granada Television heritage in north west England. Sustained company success was built from writer-led series. Its breakthrough series was *Queer as Folk* in 1999 for Channel 4. A number of popular returning programmes for different channels followed, written *inter alia* by Sally Wainwright, Paul Abbott and Russell T. Davies. Turnover rose from £9 million in 2003 (with 10 members of staff) to £45 million in 2016 (with 30 members of staff). A raft of returning series took advantage of the BBC's Window of Creative Competition (WOCC) including *Last Tango in Halifax* and *Happy Valley.* Its acquisition by Studio Canal in 2013 secured financial stability in an increasingly competitive market enabling investment in development. Studio Canal's ownership has led to several new joint ventures in genre spaces previously avoided by the company.

Left Bank (Sony Pictures Television) was founded in 2007 by Andy Harries who had previously worked at Granada Television (1993-2007) first on *World in Action* and then as Controller Drama and Comedy. After initial experience in the independent sector at Channel X, he partnered with Francis Hopkinson, former senior commissioning editor, drama, Channel 4, and Marigo Kehoe, former Head of Production Drama, Granada to found Left Bank. BBC Worldwide held a 24.9% stake at the company's foundation in return for first-look distribution rights but a majority stake was acquired by Sony Pictures Television in 2012 for £40 million with Harries and Kehoe reducing their stake and the BBC initially reducing its stake to 12.2% and subsequently to zero. Turnover rose from £2.7 million in 2007 (with nine members of staff) to £118.6 million in 2016 (26 members of staff). As a subsidiary of SPT, Left Bank has benefited from having a stable senior management, together with the financial stability of studio ownership. With access to key writers like Peter Morgan and Simon Nye, it has secured commissions from Netflix (for *The Crown*) and Starz (*Outlander*) as well as all UK broadcasters.

Features of firm type 3 adaptive walks
The firms acquired by the studios are as varied as those in firm type 2 but have had the additional key advantage of access to the global distribution facilities of the parent company. Otherwise the features of these labels are similar to those of companies in Firm Type 2.

Firm Type 4 - Tied qualifying independent producer

The definition of an independent production company which qualified for inclusion in the quotas which BBC and ITV were required to commission was introduced in the 1990 Broadcasting Act. Initially any broadcaster was restricted to a 15% share in the ownership of a qualifying company. This percentage was subsequently increased to 24.9% and the restrictions on ownership were later relaxed to allow broadcasters with no channels transmitted in the UK to have control of companies.

Some tied independent producers were subsequently bought by major investors. However, the requirement for capital investment in independent drama production is longstanding, and this minority investment approach has become more prevalent in the last few years. Investments just below the limit of 25% by UK broadcasters in companies became more frequent after 2012 and have included investments by both BBC Worldwide and ITV Studios Global Entertainment in companies like Expectations and Two Cities (BBC Worldwide) and Route 24 (ITV Studios Global Entertainment). Though it is often still seen as a precursor to acquisition, a variety of different investors has emerged resulting in different structures within this firm type.

Bad Wolf was founded in 2015 by Jane Tranter and Julie Gardner (both ex-BBC and BBC America). At foundation, investment was made by Welsh Government 'advised by Pinewood'. In 2017, additional investment from Access Entertainment where Danny Cohen, former Controller of BBC Television, is Chief Executive. Bad Wolf was set up to exploit the upsurge in drama commissions for global distribution. The Welsh government was persuaded to invest in the firm by the two former senior executives from the BBC to build on the success of the corporation's investment in drama production in Wales. The company has bases in Cardiff and Los Angeles. It has established its reputation with the HBO commission for *The Night Of* (with BBC Worldwide). Subsequently, the Welsh Government has provided a leased space for Bad Wolf Studios – for interior shooting – and Access Entertainment has taken a 24.9% stake in the company. The company's first commission was for Philip Pullman's *His Dark Materials* (Jake Thorne adapting) in a co-production with New Line Cinema for HBO/BBC1.

Features of firm type 4 adaptive walk
Bad Wolf is the only case study here of a tied qualifying independent production company, but companies in this firm type are usually start-ups requiring financial backing to enable development work and to begin to establish a reputation as a company in order to attract freelance talent to work with them. They retain the advantage of qualifying as part of the 25% independent quota of commissions which both the BBC and ITV have to meet. For the investing company, a limited stake will normally be associated with some financial return and access to key creative talent or rights at the

production company. Some companies which would have been designated as being Type 4 have subsequently been fully acquired by either the initial investor or another consolidator (e.g. Left Bank).

Firm Type 5 - Qualifying independent producer

The 'true' or qualifying independent companies, within the legal definition of that term from the Broadcasting Act 1990 (as subsequently amended), are those firms which have no shareholding by a broadcaster or super-indie. In the initial period of company foundations until the late 1990s most drama production companies would have fallen into this type, but through the need for significant investment to undertake development work leading to increased consolidation and acceptance of large minority shareholdings, the number has reduced significantly.

Zenith Media was established as a subsidiary of Central Television in 1984 with Charles Denton (ex-Controller, Central) as Managing Director. Its initial focus was on film production particularly for *Film on Four* but it quickly became involved in tv production with the commissioning of *Inspector Morse* when independent production was at a very early stage of freeing up the supply-base for drama production. The company benefited from senior industry personnel able to secure broadcast commissions and its trajectory was affected by material change through legislation, first becoming a qualifying independent production company when sold to Carlton Communications in October 1987 for £6.3 million. In November 1989, Paramount Television purchased a 49% share from Carlton, guaranteeing continued investment in programme production. Action Time was acquired by Zenith in 1989 to create a separate division with a focus on game shows. Carlton divested itself of Zenith in 1993 after winning the franchise for London weekday ITV as a publisher-broadcaster. Action Time was sold to management (subsequently reacquired by Carlton in 2003), Zenith to Portman Entertainment (headed by Victor Glynn). Charles Denton left the company at this time and Ivan Rendall, *Byker Grove* producer, became Managing Director. In 1998, TEAM (Television Enterprise & Asset Management), a venture capital company, acquired Zenith and restructured the company, which was renamed Zenith Entertainment. In July 1999, Zenith bought Two-Can Publishing to enter the US market for educational tv and video material. New Investment in factual output was announced in September 2001. In 2003, there was a management buyout for c.£10 million. Turnover fell from £23.68 million in 2002 (with 30 members of staff) to £17.58 million (29 staff) in 2005, but, after the cancellation of returning series *55 Degrees North* and *Byker Grove*, the decision was taken in 2006 to cease trading. This was an anomalous decision after the change to the terms of trade.

Hartswood Films was founded in 1989 by Beryl Vertue who had previously worked in the 1960s at Associated London Films which was acquired Stigwood Organisation where she became deputy Chairman. Vertue chaired PACT for a time in the 1990s. Hartswood's breakthrough commission was *Men Behaving Badly* created by Simon Nye with the globally and critically successful *Sherlock*, commissioned by the BBC and distributed by BBC Worldwide, its mainstay in recent years. Hartswood has a reputation as determinedly independent company based on limited number of returning series. Sue Vertue, whose husband is the writer Simon Moffat is a key figure in the company. Turnover rose from £0.96 million in 2002 (with six staff) to £19.57 million in 2014 (with eight staff).

Drama Republic was founded in 2013 by Greg Brenman and Roanna Benn (from Tiger Aspect). It is a small company which has a first look distribution deal with BBC Worldwide. It has had considerable success with Mike Bartlett's *Doctor Foster* (for BBC1 2014 - 17) and *King Charles* (BBC 2, 2016), and Hugo Blick's *Honourable Woman (*for BBC2/Sundance Channel). Its turnover in 2015 was £8.82 million and it employed ten members of staff. In an interview Brenman noted 'Very early on at Tiger, I remember wondering: "How do we grow while keeping our quality?" You have to make sure you don't grow too much, too quickly. Our Drama Republic mission is never to do anything that's just 'good business'. When you're working across three projects at once, it's easy to feel a bit removed' (Parker, 2015).

Features of firm type 5 adaptive walks

Companies in this firm type are increasingly unusual in the drama production sector. They have been determinedly uninterested in acquisition by a consolidator and have a reputational capital which allows them to maintain their independence. They have a high dependency on strong relationships between a limited writer pool and the company's main producer and need to maintain a reputation which allows relatively easy access to the commissioning editors. However, as the Zenith example indicates 'true' independence can lead to significant problems if a series whose income is sustaining a company is cancelled. Uncertain access to finance – which was the main endemic problem faced by the independent sector through the 1990s – can increase the level of external transaction costs, while conversely a small coterie of writers reduces internal transaction costs.

Firm Type 6 – Writer-owned indie

Red Planet Pictures was founded in 2005 by Tony Jordan who had worked on *EastEnders* at the BBC, then at Kudos (on *Hustle*). It has become a successful writer-driven company with Jordan both writing scripts and managing the business with returning series at the BBC and Sky. Early programmes were made working in partnership with other larger production companies including series 7 and 8 of Jordan-created *Hustle* (with Kudos). The firm initially benefited from a first-look deal with BBC Worldwide which was continued with a distribution deal. Turnover rose from £0.6 million in 2007 with nine members of staff to £27.05 million (and 23 staff) in 2016.

AbbottVision was founded by Paul Abbott in 2009 with a three-year first-look deal with Fremantlemedia Enterprises. In 2014 a loan of £800k was secured from Coutts. Abbott has a considerable reputation as a writer of many award-winning shows including *State of Play, Clocking Off* and *Shameless* and had worked regularly as a writer (often with an additional Executive Producer credit) with Red Productions. Abbott had previously founded Tightrope in 2003 with his long-term producer-collaborator, Hilary Bevan Jones, but ceased holding a directorship there in 2012 though his son and wife retained a shareholding. AbbottVision has had some success with commissions from Channel 4 and Sky Atlantic, often with Red Productions as partners.

RSJ was founded in 2009 by Jimmy McGovern, with Sita Williams and Roxy Spencer, who had worked with McGovern at Granada on *Cracker* and *The Street*. McGovern had previously worked with a number of producer-led companies on high end dramas including LA Productions (run by Colin McKeown). The company had some success at gaining commissions for itself or in partnership with larger firms but this has coincided with McGovern continuing to work with other producers/companies. Companies House filings reveal non-standard financing arrangements.

Features of firm type 6 adaptive walks

The talent-driven firm based on a writer's pre-eminence is similar in many respects to Type 5 in seeking to maintain independence while maximising the rent which accrues to the main creator. However, in reality, dependence is often reintroduced through partnering in productions because of the lack of back-up support in these companies, and the lack of access to finance. Internal transaction costs are therefore low, but external transaction costs high. Reputation is dependent on the achievements of the leading writer. Red Planet proved an exception setting up a competition for screenwriters creating its own nursery slopes for new writers.

Analysing the Variability of Adaptive Walks

This paper has traced how a heterodox set of drama production companies has evolved as the market and incentives have changed, thereby altering the fitness landscape. Different company types are linked to distinct optima and deploy a range of business models. There has been both connectivity and continuity across this industry: the 'small world' for talent remains a very significant factor while isomorphic approaches between company types are apparent. The calculations of individuals - the creative talent - have varied, though they have often been driven by rent-seeking where there is a limited talent pool e.g with screenwriters. The ways in which 'star' screenwriters negotiate their pivotal role, and who they work with, in the tv drama production process requires further research but what has become clear with the surge in high end drama productions is a writer's power to leverage significant rents.

Complexity and change – and the fitness landscape metaphor – suggest that the firm-types elaborated above should not be seen as immutable. There is a constant recalibration underway so that, for example, as noted, both the BBC (through BBC Worldwide) and ITV (through ITV Studios Global Entertainment) have begun to invest in companies, which either remain legally independent or become fully acquired labels. In this regard, they are using an organizational model similar to that employed for labels of the consolidated groups and studios. In other words, there are evolving business and organizational models where the companies across the sector constantly seek to position themselves to benefit from changes in market conditions, often through imitation. However, as Siggelkow and Rivkin suggest (2005: 119), the same design element can have very different performance effects depending on how and where it is embedded.

This has led *inter alia* to acquisitions and consolidation, new investment sources, and the emergence of new business models which other companies have taken into account in their own operations and on some occasions, emulated, reconfiguring to retain competitiveness. In short, the sector provides an example of peaks in a rugged fitness landscape, where these peaks are constantly changing due to external pressures adding to the complexities of the sector and leading to yet further new configurations. As the case studies show, firms did move between firm types as new configurations emerged as a result of external changes whether these are regulatory interventions or changed market conditions. At the same time, there are sticking points in landscapes, as with companies in Firm Type 6 for example, when some firms failed to adapt and responded in a range of different ways to the changing environment.

What do we learn from this approach where proxy measures have been used to appraise each company's 'fitness'? First, there are differences of varying degree between companies' organizational structures in each of the firm types. Some common patterns do emerge in the adaptive walk of companies in a changing landscape. Some recurring factors are related to the phase of the firm's development. For example, the sense of continuity between the strategy informing the current acquisitions by the broadcasters and previously by the consolidators (both super-indies and US studio) is very clear and driven by a strategy to optimise their positions in the market for new commissions. As a result of this emulation an emerging equilibrium seems to be developing between the companies in Firm Types 1, 2 and 3, the duopoly-related companies, and the studio subsidiaries, as they have converged on the same adjacent possibility enabled by the changing market conditions. They are competing in the same space, all having secure financial underpinnings and access to talent.

However, there are salient points of variation. Lookout Point (classified here as Firm Type 1 but similar in many ways to companies in Type 2) stands out from this continuity, because it has adopted a very different strategy based on global financing (and leveraging this financial power to attract talent). It is also different because its 'creative' centre is drawn from outside the original duopolistic DNA of most UK drama executives. The acquisitions of companies by (the mainly American) overseas vertically-integrated studios created another iteration of the dependency relationship in Type 3 with their pre-existing global distribution network. In Type 2, Endemol Shine, the Amsterdam-headquartered company owned by US-based Fox and Apollo, now has many similarities with the studios and less in common with All3Media, which emerged with a decidedly UK heritage and is reported to have a looser relationship with its subsidiaries than the other consolidated groups. The industry's evolution – its fitness landscape – tends towards similar solutions for originally different firm types, and their organizational structures and place in the supply chain. However, as the above examples show this complex pattern is liable to shift as new financial interests become involved, seeking to optimize their return on investment.

It is important also to register that an examination of different companies over time and their negotiation of the evolving rugged landscape and, particularly for the drama sector - how individuals relate to each other in the world of small firms – further confirms some common patterns across all firm types. The career trajectories of leading figures in all companies show how important network connections - commissioning editor relationships as well as the firm-related writer-producer dyads - tend to be. In addition, as company sustainability has increasingly depended on securing gap-financing, as the tariffs offered by the commissioning broadcasters have become insufficient to cover full production costs, the need for alternative guaranteed sources of funding has become imperative. How this is achieved is a major differentiator between company types. While the labels in consolidated groups can rely on central funding, smaller companies are reliant on co-production/partnership deals with a larger firm, seeking finance from a financial institution or investment either from BBC Worldwide (particularly for BBC commissions) or other distributors, or on bank loans. One of the main material factors influencing the sustainability for all companies has been the importance of gaining commissions of returning series. This both ensures ongoing overhead costs are met and provides the possibility of revenue from secondary markets. However, for smaller drama production companies outside the larger consolidated groups, any additional revenues may well be tied to a distribution deal, and this, as noted previously, can exert a further push towards seeking to be taken over.

Firms in Firm Type 5, the 'true' independents, are highly variable. They have varying organizational structures and their 'independence' is understood in different ways. For Hartswood, and more recently Drama Republic, the lack of a controlling company with targets and profit maximization as central objectives, allows for a profitable lifestyle business which is creative and rewarding, even though inherently more risky. For some start-ups, there is the clear objective of taking advantage of the boom in scripted drama commissions with global sales potential. Bad Wolf cleverly used the current positive climate for scripted drama to secure funding from the Welsh Government at foundation, and later from HBO and Sky. It is clear though that a 'true' indie can easily become a target for one of the consolidator group at some stage. In short, variable factors have to be used when considering this type of company in terms of where they are situated on their adaptive walk. Hat Trick is one such firm as its mixed genre profile differentiates it from drama specialist companies. Many 'true' independents do not survive and often effectively become single-purpose vehicles for one commission in much the same way as frequently applies in independent film production.

Some 'true' independents have emerged in Firm Type 6 based on rent-seeking by creative personnel - most notably writers. The case studies of talent-based companies show no clear pattern of development and it can be difficult to identify the long-term objectives of many of these companies. Born of frustration or tempted by the greater value to be gained through an owned entity, the needs of production management when commissioned to produce a programme have resulted in a range of different arrangements. Red Planet secured a first look deal with BBC Worldwide and has had successful returning series which have covered its overheads and enabled development work. The two writer-owned companies set up in northwest England – Abbottvision and RSJ Productions – although successful in gaining commissions, seem unable to grow beyond occasional commissions for their founders. An alternative strategy now adopted by many writers, including Abbott and McGovern, is to seek an executive producer credit in a programme produced by another company.

In short, common optima in the rugged landscape are identifiable for different 'firm types' but these types themselves are subject to changes as the 'peaks' are altered by new factors[34]. For all firm types, it is important that a firm has both the availability of talent and that this is aligned with a reputation to which commissioning editors will respond positively, and also that it has access to gap-finance when needed. The changing configuration of the optima in the sector has then to be operationalised through a company's responses to market conditions and market changes. When successful, this can result in higher staffing levels, a changed number of development commissions and increased financial turnover.

[34] Recent examples include the emergence of a new source of finance such as Access Entertainment, or the decision by the BBC to set up its own commercial production subsidiary, BBC Studios.

A pattern emerges when the companies are viewed through the lens of the relationship between firm typology and company size. There have indisputably been disruptions to organizational strategies and business models caused by regulatory interventions or market changes. Rent-seeking behaviour to maximize returns is common and has sometimes led to imitation of other companies' strategies. While some companies end up at sticking-points in the landscape, sometimes this is due to internal factors that interrupt or inhibit strategies to achieve a company's business objectives. This would include the fear of loss of control that follows any acquisition of a small company by a larger group, thereby foregoing creative freedom within the company[35]. However, this trade-off is sometimes necessary when smaller firms seeking commissions are often required to abandon full control anyway and collaborate with an established company to provide reassurance to the commissioning broadcaster. Hence, the appeal of securing the maximum-allowed investment from a larger company while retaining legal 'independence'– as for Firm Type 4[36]. This allows creative freedom and provides risk finance while helping to guarantee performance and back-office efficiency to commissioning broadcasters.

Failures and ceasing to trade can be illustrative of a lack of adaptation by a company to the fitness landscape. Coad (2007: 144) suggests that 'selection appears to operate mainly via the channel of exit - that it is the "survival of the fitter" rather than "growth of the fitter". He contends that this considerably reduces the power of selective forces. In this article, fitness has been defined partly by a firm's access to talent and finance with returning series a key element in sustaining a company's existence. However, achieving an optimal position is different from sustaining it. Where any of the critical elements is absent - and particularly if the financial support for continuing operations is lacking - ceasing trading must be a consideration. The lessons from the two 'failures' of established companies analysed here - Zenith Media and Box TV - partially confirms this hypothesis in the absence of any other explanation. Zenith lost its two returning series in the year it went into administration. These series had provided financial stability to the company and its venture capital backers. However, what is unclear is Zenith's timing of its closure: in many ways, it was an early example of a consolidator which had first attracted external investors ahead of a subsequent management buyout. Its loss of commissions suggests that the issue was managerial with a lack of personnel (and probably finance) to develop new programmes. Box TV, when merged into DCD Drama, lacked the talent and human capital, when its key personnel had left the company. Without any ongoing series on which to fall back to cover overhead and development costs and the absence of the agency and input of key creative workers, DCD quit drama production. These two examples may be the exceptions inasmuch as failure followed success. There are many more 'failures' than successful companies if we compare the number of notionally active drama companies with the number which actually gain commissions.

The broadly defined differentiation across the types of firm has enabled an initial consideration of the key factors and the establishment of a schematic evidence base. Identifying why some companies fail has also begun to clarify and to some extent confirm the success criteria for drama production companies. Furthermore, though periodisation of major changes in the system provides a broad context for the evolution of firms, there are always companies that, through inertia, retain the apparatus of the past. These operate alongside those that have adapted to changing circumstances or that have been recently formed and whose evolution the methodology used here seeks to explore.

Here the intention has been, through case studies using available information, to identify optima, or success factors, across a number of measures for each 'firm type' company in its segment of the fitness landscape of tv drama production. Fully developed, it would require more extensive data collection to cover the different business and organisational models adopted in order to analyse their

[35] Data from the BFI's Industry Tracking Study showed a significant relationship between perceptions of working with talented individuals and the creativity of a company. See Paterson (2001).
[36] Firms in Type 4 would probably be less common were this legislative requirement to be removed from the statute book as these companies would then no longer be able to secure commissions within the quotas which continue to operate for both the BBC and ITV.

relative success or failure. Ideally it would also provide a visualization of the network and interrogation of decision structures within which the companies operate to provide a better understanding of the consequences of often hidden transaction costs.

Additional aspects of a firm's development over time to assist the use of this approach in the analysis of the evolving fitness landscape of the sector would include:
- determining the number of changes across all operational areas made before an optimum was reached (capability and capacity);
- analyzing the number of alternative peaks which a firm type could reach given the constraints of its business model and its access to human and financial capital;
- identifying at specific junctures the number of firms that climbed to the optimum in each firm type (related to the population density of the sector) and the strategies employed;
- assessing the rates at which the fraction of fitter neighbours dwindled to zero along walks to fitness peaks, i.e. how the firm performs in the market compared with competitors[37].

Conclusions

The typology of firms used here may be seen as an evolving framework in which the conditions of existence of the drama production sector change: companies co-evolve and will continue to do so. Fitness is not fixed but is contingent in a market and often related to profitability[38]. The data suggest that while there is no minimum economic scale for factual programme producers, there is for drama production. Consolidation has led to greater influence and success of the labels within the consolidated super-indie groups with a peripheral group of privately-held companies most of which, if successful, may become targets for acquisition.

Key indicators for success for different types of drama production companies have been identified and applied in the case studies within the broad framework of the fitness landscape approach. At a basic level, one simple division is based on ownership: where the financial interest which is at stake in the operation lies when profitability of the company is a factor. So, for example, there are firms within Type 5 which are 'independent' in the sense that they operate outwith a larger corporate structure and, arguably, this has ramifications for their operations which may enable them to eschew trends towards globalized programming. Their independence derives from the absence of outside investors seeking a return, although this leads to a reliance on banks or financial companies for cash flow and a willingness of domestic broadcasters to commission programmes which are not obviously likely to achieve international sales. Most of these drama companies tend to be relatively small and specialized and where they do have a reputation it is almost always linked to a few writers. For such companies, internal transaction costs will be low and organizational structure relatively informal but external costs higher because of dependency on commissioning editors and the need to negotiate any deficit financing to secure continued viability. In Gereffi et al.'s (2005) terms they remain captive and dependent. But as noted above, Hat Trick is an exception that bridges comedy and drama production and remains outside the dominant Firm Type 5 organizational model[39].

There are degrees of 'independence' though the term 'independent' in this context remains less than helpful in describing all the firms outwith the BBC and ITV. Firm Types 2 and 3, the labels within the consolidators and the studio subsidiaries, have a different relationship to their corporate owners – they are owned by larger groups within the private sector with a responsibility to provide a return on investment to shareholders. They have higher internal transaction costs as there is a coordination requirement across each of the companies, but these are counterbalanced by reduced external

[37] This set of factors is adapted from Kauffman (1997) p.40ff. It focuses on outcomes rather than agency cf. Rivkin and Siggelkow (2002) for an approach which prioritises decision making.
[38] Some of the limitations of the early uses of the fitness landscape approach in studying organisations have been identified by Fein et al (2014: 271) who instead focus on the 'unpretestable but nonetheless scientifically explicable nature of the phase or strategy space within which novel entrepreneurial activity takes place'.
[39] In 2016 it had a turnover of £31 million and 62 full time staff.

transaction costs with financiers and sometimes in consequence with the commissioning broadcaster. Commissioning editors will often be former colleagues of those in the consolidated groups. Furthermore, commissioning from a larger company provides broadcasters with comfort when a decision is being made. Labels in consolidated groups, Types 1, 2 and 3, have larger staff numbers than firms in Types 4, 5 and 6, but most remain relatively small and therefore, it can be argued, able to focus on creativity. Their biggest advantage is the ability to concentrate on programme development and production, with an organizational form similar to that prescribed by the Kensington House document in the BBC in the 1970s[40], as they don't have the time-consuming need to secure deficit finance for each project from external sources.

In the rugged landscapes of tv drama production, knowledge, resources, competencies, and networks are foundational for all firms but the key to success in changing market conditions is the ability to offer distinctive and innovative material to commissioning editors. This has usually been achieved in tv drama through securing talented writers to provide scripts which meet a perceived need, allied to the producer's ability to marshal resources and contacts to secure a funding package, i.e. the commission plus any additional gap financing required.

Sections of the workforce have benefited from additional opportunities to work and some entrepreneurs have managed to secure significant wealth when selling their companies. The focus on relationships – the extent of agency and calculation by individuals and whether they are acting for themselves or on behalf of a company – provides an important caveat to any overarching analysis. The drama labels in the major consolidators/super-indies operating in the UK rely heavily on freelance workers to create programmes. Competition between companies provides leverage to 'talent', particularly writers, and arguably restricts the reputational bonus accruing to any production company from a successful programme, whether critical or commercial. Writers tend to work with a number of production companies leading to adaptive tensions between the various organisations and an adjacent space for entrepreneurial new actors to intervene.

The calculations of advantage and the comparative leverage of writers, producers, firm owners, consolidated groups, commissioning bodies and distributors are in constant flux. Furthermore, the relationships across the value chain have altered again in recent years with the availability of significant investment tranches alongside complex data about audiences giving buyers greater insights into audience likes and dislikes[41]. These changing technological factors have affected distribution norms too. A new level of interdependency across the value chain has fanned heightened competition for incumbents, and a tendency towards increased vertical integration. The new SVOD platforms have joined the telecommunication companies and studios, as well as internet companies, collectively impinging on the evolution and strategies as well as the type of drama content produced by companies.

As noted in Paterson (2017a) the objective of much recent policy intervention in the UK has been to put in place a competitive supply regime. However, for drama production the fitness landscape remains less robust than for other genres, with a near oligopoly emerging among the consolidating super-indies, albeit with both ITV and the BBC still active, and the frequent establishment of new companies. Furthermore, the cost pressures of production have encouraged a move to globally- rather than locally-targeted programming. As Mediatique's report (2014) noted there has been the counterweight of the commissioning policies of the public service broadcasters, but the danger now is

[40] These ideas were formulated by the S.I.M.P.U. Study Group in the 'Kensington House Paper II – Draft'. In the 1970s Kensington House housed BBC's documentary productions and this group of producers recommended that the BBC's practice of centrally allocating creative roles on each production should be changed to enable teams with known colleagues to work together.

[41] The accepted currency for broadcast audience figures has been through centrally collected ratings which are shared with the advertising community to justify the spend on airtime. Subscription Video on Demand channels like Netflix do not need these figures as they have a closed system where advertising is absent and use their proprietary data internally to offer navigation to users to similar programming and to help determine programming policy.

that they will be outspent by SVOD platforms which have huge spending power (and a need to address global markets). The evidence shows that in drama production adjustment continues, with an ever-increasing importance of the global market for distribution and sales to generate a return on the investment, alongside the dynamics and impact of the relationship of the SVOD platforms with production companies. The effect of consolidation on content is obviously of critical importance, with the dominance of overseas groups seeking international sales from their output. If the audience addressed by drama loses its connection to local cultures, arguably there should be a review of policy to consider measures which mitigate this[42].

The policy to encourage and then sustain inward investment by offering tax breaks on high end television dramas may, for now, keep the foreign-owned drama production companies located in the UK. However, it is as if governments are blind to the dangers of this approach which historically has blighted Britain's domestic independent film production sector (albeit encouraging the US studios to produce their blockbuster series like *Star Wars* in the UK). As shown in my previous CREATe working paper (Paterson 2017a), the US experience with the introduction then abolition of FinSyn (which was intended to facilitate independent production) showed the importance of the market power of the US-based vertically-integrated studios. The UK has taken a completely different approach – reducing the powers of its UK-owned vertically integrated broadcasters by creating competition in its home market in a way that has created an increasingly powerful group of production companies owned by deep pocketed international groups. Where in the past new drama programmes were sourced inside the duopoly companies now they are increasingly sourced outside it and the resulting IP is owned by international companies. Furthermore, the emergence of the SVOD platforms is disrupting the drama production sector because they are outbidding UK companies for programmes. Those who lobbied for a change in the terms of trade are now silent as the global players acquire all rights when they commission programmes. The UK's commissioning broadcasters are at an immediate competitive disadvantage in these situations when the SVOD platforms offer more money but retain all secondary rights.

What has been attempted in this paper is the adoption of a specific methodological framework to inform analysis of the complexities of changes in the production sector. It starts with the premise that there needs to be an understanding of the trajectory of different types of firm producing the same generic product. As noted above, how their operational realities, particularly ownership, then relate to what is produced. For tv drama, this can lead to an homogenising of culturally differentiated markets and becomes an issue for policy makers[43]. There is always a need to understand the external factors but from a policy point of view, whether driven by an economic growth agenda or a cultural one, lessons can be learned from this fitness landscape approach which might inform future interventions. Arguably, insight is required to ensure that a balanced fitness landscape continues to exist, with secure UK controlled tent-pole suppliers not subject to market whim or turbulence. Competition cannot be an end in itself if it leaves a culturally impoverished regime but, arguably, if it is to be invoked as the rationale for intervention it should be applied to every part of the value chain. There is clearly a need to accept the importance of a global market now that the UK audience has global content easily available through Amazon Prime and Netflix and other SVOD platforms. The reality that no UK platform has the global reach of Netflix or Amazon Prime requires a pragmatic assessment of where any interventions both inside and outside the production sector might be made to improve the performance of UK companies. Any intervention should be designed to ensure that the production of tv drama with a local resonance has priority and that the UK is not simply a tax-friendly locale for foreign owned companies to produce programmes which target the global market. The reduction in drama production from across the UK after the merger of the regionally-based network companies into ITV have now been recognized but to date no measures to counteract its effect has been found other than occasional bland encouragement to broadcasters rebalance their commissioning. Whether the priority objectives of the tv drama production sector industry are commercial or cultural, or both,

[42] This issue is one aspect of the current ESRC-funded project at the University of Glasgow: 'Television in Transition: Independence, Scale and Sustainability'.
[43] Cf. Doyle (2017).

ought to influence the regulatory framework in which it operates. These contradictory aspects need to be addressed in the ongoing deliberations about the UK's future industrial strategy in which the screen industries figure so strongly.

Appendix 1

Drama Commissions 2005-2015[44]

[44] The data for this paper is drawn mainly from the *Broadcast* Greenlight index. The Index, which seeks to capture commissions of programmes by UK production houses has a number of drawbacks concerning for example its completeness so that it does not include long running series on BBC or ITV. However, these data provide a useful indicative benchmark of performance. One issue which has been problematic is in attributing the lead production company where more than one is identified. In each of these cases the decision was taken to list to all companies listed as co-producers.

BBC	BBC1/2/3/4	147
Carnival	BBC1/2/4	18
(NBC Universal)	ITV	20
	C4	1
	Sky 1	1
Company	BBC1/2/4	15
(All3Media)	ITV	16
	C4/E4	14
	Sky/Sky Arts	3
ITVS	BBC1/4	7
	ITV	38
	C4	1
	Sky Living	1
Kudos	BBC1/2/3/4	28
(Endemol Shine)	ITV	14
	C4	4
	Sky1/Sky Atlantic	5
	Cinemax	1
Left Bank	BBC1	6
(SONY)	ITV	9
	Sky1	7
	Starz	1
	Netflix	1
Mammoth Screen	BBC1/2/3/4	10
(ITVS)	ITV	13
	C4/E4	3
	Sky1/Sky Atlantic	3
Red	BBC1/2	16
(Studio Canal)	ITV	7
	C4/E4	3
	Sky Liv/Atlantic	5
Red Planet	BBC1	14
	Watch	1
	Sky	1
Tiger Aspect	BBC1/2/4	19
(Endemol Shine)	ITV/ITV2	6
	E4	3
	Sky1/Atlantic/Arts	4
	Amazon	3
Wall to Wall	BBC1/2	7
(Warner Bros)		
World	BBC1/2/3	8
(ITV Studios)	ITV	4

Appendix 2

Period of foundation of drama production companies operating in 2015

Tracking trajectories of companies in cohorts established in same period

The table below provides a listing of drama production company foundations

1978 - 1981	2	Carnival (NBC Universal), Mersey TV (renamed Lime 2007, All3 Media).
1982 – 1987	8	Twenty Twenty, Shed (Warner Bros TV), Hat Trick, Hartswood, Working Title TV (NBCUniversal).
1988 - 1990	5	Ecosse, World (ITV Studios GE), Tiger Aspect (Endemol, then Endemol Shine).
1991 – 1996	16	Bentley (All3Media), Kudos (Shine, then Endemol Shine), Darlow Smithson (Endemol Shine), Endor (Red Arrow), Wall to Wall (Warner Bros. TV).
1997 – 2002	31	Company (All3Media), Clerkenwell, Shed (Warner Bros TV), Baby Cow (BBC

		Worldwide), Red (Studio Canal), LA Productions, Touchpaper (Zodiak, then Banijay).
2003 - 2004	18	Neal Street (All3Media), Rollem, Shine (Shine, then Endemol Shine).
2005 - 2007	20	Great Meadows, Red Planet, Daybreak (Tinopolis), Runaway Fridge, Left Bank (SONY), Mammoth Screen (ITVS), Ruby.
2008 – 2013	58	Lookout Point (BBC Worldwide), RSJ, Eleventh Hour, Imaginary Friends, Playground Entertainment, Artists' Studio (Endemol, then Endemol Shine), Caryn Mandebach, Newman Street (Fremantle), Drama Republic, New Picture (All3Media).
2014 - 2016	10+	Bad Wolf, Monumental, Mainstreet (ITVS), Blueprint (SONY), Corona Pictures (Fremantle), Route 24 (ITVS), Sister, Benchmark, Two Cities.

Appendix 3

Case Studies: available information on talent, commissions and finances

Firm Type 1 - Duopoly-related label

Mammoth Screen (ITV Studios Global Entertainment)

Co-founded in 2007 by Michelle Buck (Controller of Drama at ITV Productions, previously Head of Drama at United Productions and producer of *Crossroads* at Central) and Damien Timmer (previously Head of Drama at ITV who had earlier worked at United Productions and Carlton).
Writers
Peter Bowker (*Wuthering Heights* and *Monroe*), Debbie Horsfield (*Poldark*), Russell Lewis (*Endeavour).*
Commissions
Early success with dramas for ITV (*Lost in Austen, Joe Maddison's War).* Its reputation for quality drama was established with *Parade's End* (co-produced with Lookout Point for BBC) and *Christopher and his kind* (BBC2). Its key returning series have been: *Endeavour* (ITV)*, Poldark* (BBC), *Victoria* (ITV), *Monroe* (ITV) and Agatha Christie adaptations.

Turnover: 2009 (£3.48m); 2010 (£8.2m); 2011 (£11.8m); 2012 (£24.6m); 2013 (£); 2014 (£).

Staff:	8	10	19	17
Programme hrs:		8.5	7.5	18.5

Lookout Point (BBC Worldwide)

Founded in 2009 by Simon Vaughan, its earliest commissions were for US networks. In 2014, BBC Worldwide Corporate Services took a 35% stake. Shares issued – 350 ‘A’, 650 ‘B’.
Talent
The company has no in-house creative talent but hires star writers to develop and work on high profile global co-productions. The main strength of company has been the financial acumen and deal making of founder Simon Vaughan.
Finance
Gap financing sources (*Ripper St* series4): Bank of Montreal; *The Collection* (Pinewood Films advising Welsh Government) – distribution – BBC Worldwide.
Commissions
Key programmes: *Ripper Street* 2011-2016 (with Tiger Aspect, BBC series 1 & 2, then Amazon Prime series 3, 4, 5); *Parade’s End* 2012 (with Mammoth Screen, BBC 2/HBO adapted by Tom Stoppard); *Titanic* 2013 (ITV/ABC, written by Julien Fellowes); *Les Miserables* 2016 (BBC and Weinstein written by Andrew Davies); *The Collection* (Amazon Prime/France Television); *Press* 2016 (BBC); *Shibden Hall* 2017 (BBC).

Annual turnover, staff numbers and programme hours are unavailable.

Firm Type 2 - Acquired company in a consolidated super-indie

a) **Company Pictures (part of All3Media)**

Founded in 1998 by George Faber, previously Head of BBC Single Drama, and Charlie Pattinson, Royal Court/BBC. John Yorke, former Commissioning Editor, BBC Drama joined as Head in 2012, with Faber and Pattinson leaving the company in 2013. John Yorke left the company in 2015 and was succeeded by Michele Buck from Mammoth Screen where she was previously Joint Managing Director.
Talent
Key writers used: Jimmy McGovern, Paul Abbott, Peter Straughan, Jack Williams.
Finance
Acquired in 2004 by All3Media providing access to development finance.
Commissions
First commission was *The Lakes* (BBC) in 1998 written by Jimmy McGovern. Key returning series: *Shameless* 2003-2012 (Channel 4); *Wild at Heart* 2006-2012 (ITV leading to a format deal with CBS); *Skins* 2007-2013 (Channel 4); *Inspector George Gently* 2007-2017 (BBC); *White Queen* 2013 (BBC/Starz), *The White Princess* 2017 (Starz); *The Missing* BBC (2014-2017) written by Jack Williams a graduate from Company’s nursery slopes. Company’s reputation was augmented significantly by its production of *Wolf Hall* broadcast in 2015 though commissioned in 2011.

Turnover:	2002 (16m);	2003 (£19.6m);	2004 (N/A);	2005 (N/A);	2006 (£18m);	2007 (£30.9m);
Staff:	15	16	N/A	N/A	N/A	27

Turnover:	2008 (£53.8m);	2009 (£39.7m);	2010 (£40m);	2011 (£49.97m);	2012 (£40m);
Staff:	27	27	26	26	28
Prog hrs					52

Turnover:	2013 (£52m);	2014 (£29.6m);	2015 (15.3m)
Staff:	23	18	14
Prog hrs.	48	23	12

b) **Kudos Film and Television (part of Endemol Shine)**

Founded in 1992 by Stephen Garrett and Debbie Mason. Stephen Garrett, had been Channel Four Commissioning Editor for Youth Programming (1987-1992). Sally Woodward Gentle joined as joint MD in 1998 when Debbie Mason was seconded to Rapture (a newly formed channel). In 2000, Jane Featherstone replaced Gentle as Joint MD. In December 2006 Kudos was acquired by Shine for £35 million. In 2015, Stephen Garrett and Jane Featherstone left Kudos and Diederick Santer became MD, merging his Lovely Day label into Kudos.

Talent

Writers used: David Wolstencroft, Tony Jordan, Ashley Pharoah, Chris Chibnall, Peter Bowker, Matthew Graham, Abi Morgan, Lars Lundstrom.

Commissions

First commission*:* 1993 *The Complete Guide to Relationships* (Comedy Playhouse) for ITV, otherwise all productions were non-fiction until 1999. Key drama commissions: *Psychos* 1999; *Spooks/MI-5* 2002- 2011; *Hustle* 2004-2011; *Life on Mars* 2006-2011*; M.I. High* 2006-2007; *Ashes to Ashes* 2008-2010 (all BBC); *Law & Order: UK* 2010-2014 (ITV); *Death in Paradise* (2011-); *The Hour* 2011-2012 (BBC); *Utopia* 2013 (Channel 4); *Broadchurch* 2013-2017 (ITV); *The Tunnel* 2014 (Sky Atlantic); *Humans* 2015- (Channel 4); *The Club* 2017 (BBC)*; Gunpowder* 2017 (BBC); *Tin Star* 2017 (Sky Atlantic).

Turnover:	2002 (£6m);	2003 (£14.2m);	2004 (£15.5m);	2005 (£25.5m);	2006 (£32m);
Staff:	8	12	N/A	24	N/A

Turnover:	2007 (£49m);	2008 (£52.3m);	2009 (£41m);	2010 (£54m);	2011 (£51m);
Staff:	47	45	44	42	34
Prog. hrs tx:					39.5

Turnover:	2012 (£54.4m);	2013 (£43.4m);	2014 (£66.2m);	2015 (£51.7);	2016 (£34m)
Staff:	34	37	38	28	27
Prog. hrs:	40.5	42	51.5	37	37

c) **Tiger Aspect (part of Endemol Shine)**

Founded as Tiger Television 1988 by Peter Bennett-Jones (of PBJ Management) and Charles Brand to develop the Mr. Bean character. PBJ Management clients include Rowan Atkinson and Armando Iannucci. Tiger merged in 1992 with Aspect Film and TV, which had been founded in 1982, to become Tiger Aspect. Jones chaired Tiger Aspect until 2012. In October 2001, Geoff Perkins Head of Comedy, BBC joined Tiger Aspect as Creative Director of Comedy. In May 2001, Tiger Aspect restructured its senior management after expansion into film production, animation and new media. Joint MDs were appointed: Andrew Zein who joined from BBC Planning and Strategy together with Charles Brand who was in charge of creative programming. Zein became vice chair of PACT in December 2001. In August 2002, the company conducted a comprehensive review of its cost base following the withdrawal of sale and leaseback funding in the Budget, with the first intimations of a possible sale to realise Tiger's value. In June 2006 the firm was purchased by IMG Media. Following a corporate restructuring in October 2009, IMG Media put Tiger Aspect (and another label it owned, Darlow Smithson) up for sale. In November 2009, Endemol acquired the firm for £30m. Andrew Zein was appointed as Managing Director with tie-in deals signed for key creatives. In 2010 Andrew Zein left the company to join WB Intn'l TV Distribution. In August 2012, Head of Comedy, Sophie Clarke-Jervoise, was appointed as MD with Will Gould becoming Joint MD in September 2012. In February 2017 Clark-Jervoise stepped down and was replaced by Ben Cavey from the Tiger Aspect comedy label Cave Bear.

Talent

Producer Greg Brenman, worked with Tiger Aspect from 1993 to 2012 when he left to set up Drama Republic. Key writers: Kay Mellor, Simon Donald, Abi Morgan, Tony Grounds, Alan Cubitt, Dominic Minghella, Lucy Prebble, Steven Knights.

Commissions
Key genres: Comedy: e.g. *Vicar of Dibley*, *Mr. Bean*; and Drama: *Murphy's Law* 2003-2007 (BBC); *Robin Hood* 2006-2009 (BBC), *Secret Diary of a Call Girl* 2007-2011 (ITV); *Omagh* 2004 (Channel 4); *Ripper Street* 2013-2017 (BBC then Amazon); *Mount Pleasant* 2011-2017 (Sky); *Bad Education* 2012-2014 (BBC); *Cuffs* 2015 (BBC); *Benidorm* 2007-2018 (ITV); *Peaky Blinders* 2014-2018 (BBC); *Fortitude* 2015-2017 (Sky Atlantic); *The Good Karma Hospital* 2017 (ITV).

Turnover:	2002 (£38m);	2003 (£43.6m);	2004 (£42.1m);	2005 (£44.22m);	2006 (£58.65m);
Staff:	80	75	N/A	80	N/A

Turnover:	2007 (£76.9m);	2008 (£59m);	2009 (£64m);	2010 (£47.8m):	2011 (£43.44m);	2012 (£45m);
Staff:	104	100	80	69	60	N/A

Turnover:	2013 (£54.1m);	2014 (£66.2m),	2015 (£51.7m);	2016 (£52m)
Staff:	68	61	75	65
Prog hrs:	86	60	105	65

d) **Neal Street Productions (part of All3Media)**

Founded in 2003 by theatre and film director Sam Mendes, Pippa Harris (ex-BBC Head of Drama Commissioning) and Caro Newling. In 2012 Nicolas Brown joined from BBC.
Talent
*Call the Midwife w*riter Heidi Thomas (who also wrote *Cranford* and *Upstairs Downstairs*).

Finance
The company initially focused on its theatre and film production arms. It was put up for sale for £40m in November 2014 after the success of its tv series and was acquired by All3Media in March 2015.
Commissions:
Call the Midwife 2011-2018 (BBC1); *Penny Dreadful* 2014-2016 (Sky Atlantic); *The Hollow Crown* 2010-2014 (BBC); *Britannia* 2017 (Sky Atlantic and Amazon).

Turnover:	2013 (£15m);	2014 (£40m);	2015 (£50m);	2016 (£36.8m)
Staff:	8	9	9	9
Programme hrs:	9.25	17.25	19.25	19

e) **Box TV**

Founded in 2000 by Gub Neal (formerly Head of Drama, Channel 4 and Controller of Drama, Granada). Adrian Bate (formerly Head of Film and Drama, Zenith) joined the company in October 2006. In 2009, both Gub Neal and Adrian Bate left their roles at Box TV.
Talent
The company was reliant on Neal's relationships with writers from his earlier executive roles in broadcasters.
Finance
*A*cquired by DCD Media in December 2005 and merged into DCD Drama. DCD Media had been founded in 1999 and is quoted on LSE.
Commissions
In 2001 a range of US commissions secured for tv movies plus a first view deal with the BBC for a slate of returnable series. Prestigious productions included *Sunday* 2003 (written by Jimmy McGovern, Channel 4); *Warrior Queen* 2003 (written by Andrew Davies, ITV); *Gunpowder, Treason and Plot* 2004 (BBC); *Last Enemy* 2008 (BBC). In 2002 a film arm was set up, then in 2003 Box expanded into comedy.

Turnover:	2002 (N/A);	2003 (£10.5m)
Staff:	11	11

f) **Artists' Studio (part of Endemol Shine)**

Founded in 2009 by Gub Neal after he left Box TV. In 2012, Adrian Bate joined from Affinity. Firm had a first look deal with Content Television in 2013. It was acquired by Endemol in March 2014.
Talent
Alan Cubitt, writer of *The Fall* for BBC*,* on which he acts as writer and executive producer.
Finance
Acquisition by Endemol provided financial stability.
Commissions
First commission was a feature-length bio of Paul Raymond for Channel 4. In 2011, ABC (US) commissioned a medical drama set in Afghanistan. *The Fall* commissioned by BBC in 2012 (second series commissioned 2013)

Turnover:	2011 (£);	2012 (£);	2013 (£);	2014 (£8.5m);	2015 (£);	2016 (£5.9m)
Staff:				3	N/A	5
Programme hrs:				6		6

Firm Type 3 - Studio subsidiary

a) **Carnival Films (NBCUniversal)**

Founded in 1978 by Brian Eastman as Picture Partnership Productions. Betty Willingale, a former BBC Script Editor, joined in 1989 leaving in 1994. Gareth Neame (formerly Head of Drama, BBC) became Managing Director in 2004. Eastman left the company in 2006.
Talent
Key writers used: Clive Exton, Anthony Horowitz, Brian Clemens, Julian Fellowes.
Finance
In 2005 Southern Star took a major stake in the company providing access to finance for development.
Full acquisition by NBCUniversal followed in 2008 securing the continuing financial stability of the company allied with distribution across international markets.
Commissions
Early commissions established the company's reputation for quality mini-series: *Blott on the Landscape* 1985 (BBC); *Porterhouse Blue* 1985 (Channel 4). Key returning series: *Poirot* 1989-2004 (ITV), *Jeeves and Wooster* 1990-1993 (Granada); *Rosemary and Thyme* 2003-2006 (ITV); *BUGS* 1995-1998 (BBC); *Hotel Babylon* 2006-2009 (BBC); *Downton Abbey* 2010-2015 (ITV); *Whitechapel* 2009-2013 (ITV); *Stan Lee's Lucky Man* 2016-2018 (Sky)*; The Last Kingdom* 2015-2017 (BBC)*; The Hollow Crown* 2014 (BBC); *Jamestown* (Sky 1, 2017).

Turnover:	1991 (£6.4m);	1992 (£8.6m);	1993 (£17,4m);	1994 (£14.7m);
Staff:	11	9	10	10

Turnover:	2002 (6.3m);	2003 (6.4m);	2004 (£12.5m);	2005 (£11.7m);	2006 (£17.1m);	2007 (£21.3m);
Staff:	12	11	N/A	14	N/A	17

Turnover:	2008 (£23.5m);	2009 (£38.5m);	2010 (£26m);	2010 (£25m);	2011(£45.77m);	2012(£66m);
Staff:	13	14	12	12	15	19

Turnover:	2013(£99m);	2014(£89m);	2015 (£114m);	2016 (£90m)
Staff:	24	22	20	21

Prog. hours tx	29	23	19	16

b) **Red Production Company (Studio Canal)**

Founded in 1998 by Nicola Shindler and based in Manchester. Shindler had previously worked as a Script Editor at Granada and as a producer for the BBC.

Talent

Russell T. Davies, Paul Abbott, Sally Wainwright, Danny Brocklehurst (who emerged from company nursery slopes).

Finance

In 2013, the company was acquired by Studio Canal securing its ability for continued script development in an increasingly competitive market.

Commissions

First commission in 1999, which established its reputation for innovation, was *Queer as Folk* written by Russell T. Davies for Channel 4. Key commissions: *Clocking Off* 2000-2003 (BBC); Sally Wainwright's first series *Jane Hall* 2004 (ITV) which was followed by *Scott & Bailey* 2010-2012 (ITV). Returning series which took advantage of the BBC's Window of Creative Competition (WOCC): *Last Tango in Halifax* (2012-2016)*; Happy Valley* (2014-2019); *Ordinary Lies* (2015-2016). Recent commissions include: *Paranoid* 2016 (ITV); *The Five* 2016 (Sky); *Trust Me* 2016 (BBC 1), *Come Home* 2017 (BBC1), *Butterfly* 2017 (ITV); and *Safe* 2017 (Netflix).

Turnover:	2002 (N/A);	2003 (£9m);	2004 (£17m);	2005 (£8m);	2006 (£8.5m);	2007 (£1m);
Staff:	7	10	N/A	6	N/A	6

Turnover:	2008 (N/A);	2009 (N/A);	2010 (£10m);	2011 (£15m);	2012 (£24m);	2013 (£21m);
Staff:	N/A	N/A	8	10	14	19
Programme hrs tx.				15		21

Turnover	2014 (£34m);	2015 (£21m);	2016 (£45m)
Staff:	25	29	30
Programme hrs tx.	21	21.5	35

c) **Left Bank Pictures (Sony Pictures Television)**

Left Bank was founded in 2007 by Andy Harries with Francis Hopkinson, former senior commissioning editor, drama, Channel 4 (who left to join ITV Studios in 2011), and Marigo Kehoe, former Head of Production Drama, Granada. Harries had previously worked at Granada Television (1993-2007) on *World in Action,* as Controller of Comedy, and then as Controller Drama and Comedy. Prior to founding Left Bank he worked at Channel X. BBC Worldwide held a 24.9% stake at the foundation of the company in return for first look distribution rights. Left Bank was acquired by Sony Pictures Television in 2012.

Talent

Peter Robinson (*DCI Banks*); Peter Morgan; Simon Nye; Cris Cole (*Mad Dogs*); Kate Brooke.

Finance

Majority stake acquired by SONY in 2012 for £40 million. Harries and Kehoe reduced their stake at this point with BBC initially reducing its stake to 12.2% and subsequently to zero.

Commissions

Wallander 2008-2016 (BBC); *Strike Back* 2010-16 (Sky); *Father & Son* 2010 (ITV/RTE); *Married Single Other* 2010 (ITV); *DCI Banks* 2010-2016 (ITV); *Mad Dogs* 2011-2013 (Sky); O*utlander* 2014-2018 (with SPT for Starz, Amazon Prime); *The Crown* 2016=2018 (Netflix); *The Replacement* 2017 (BBC); *The Halcyon* 2016 (ITV).

Turnover:	2008 (£2.7m);	2009 (£13.09m);	2010 (£21.16m);	2011 (£29m);	2012 (£45m);
	9	13	17	20	23

Turnover:	2013 (£36m);	2014 (£53.4m);	2015 (£79.4m);	2016 (£118.62m)
Staff:	23	24	25	26
Prog hrs tx.	20.5	19	28	34

Firm Type 4 – Tied qualifying independent producer

a) Bad Wolf

Founded in 2015 by Jane Tranter and Julie Gardner (both had worked at BBC Drama and BBC America).
Talent
Jake Thorne

Finance
At foundation the Welsh Government 'advised by Pinewood' invested in Bad Wolf. In 2017, there was additional investment from Access Entertainment where Danny Cohen, former Controller of BBC Television, is Chief Executive.
Commissions
Initial commission was for Philip Pullman's *His Dark Materials* (Jake Thorne adapting) in a co-production with New Line Cinema for HBO/BBC1. In 2017, a factual series, *The Commanders,* was commissioned by History UK.

Firm Type 5 - Qualifying independent producer

a) **Zenith Media**

Zenith was established in 1984 as a subsidiary of Central Television, one of the ITV Network companies, with Charles Denton (ex-Controller, Central) as Managing Director. Its initial focus was on film production particularly for *Film on Four.*
Talent
Although founded with a film remit the company quickly became involved in tv production with the commission of *Inspector Morse*. Entertainment stars Ant and Dec developed their early careers at Zenith through the company's northern subsidiary which also produced the children's drama series, *Byker Grove*. In July 1998 Scott Meek and Nigel Stafford Clark, key film producers at the company, quit Zenith Productions following a disagreement over restructuring of the Zenith Group by its parent TEAM (Television Enterprise and Asset Management).
Finance
The company's initial stability as a subsidiary of Central Independent Television, one of the ITV network companies unravelled when it was sold to Carlton Communications in October 1987 for £6.3 million ahead of the implementation of the indie quota on ITV. In November 1989, Paramount Television purchased a 49% share from Carlton, guaranteeing continued investment in programme production. Action Time was acquired in 1989 as a separate division with a focus on game shows. Carlton divested Zenith in 1993 after winning the London weekday ITV franchise as a publisher-broadcaster; Action Time was sold to management (subsequently reacquired by Carlton in 2003), Zenith to Portman Entertainment (headed by Victor Glynn). Charles Denton left the company at this time and Ivan Rendall, *Byker Grove* producer, became Managing Director. In 1998, TEAM (Television Enterprise & Asset Management), a venture capital company, acquired Zenith, which was renamed Zenith Entertainment. In July 1999, Zenith bought Two-Can Publishing to enter the US market for educational tv and video material. New Investment in factual output was announced in September 2001 (including through subsidiary Blaze Television. In 2003, there was a management buyout for c.£10 million but, after cancellations of returning series, the decision was taken in 2006 to cease trading.

Commissions
Inspector Morse 1987-2000 (ITV); *The Paradise Club* 1989*, Byker Grove* 1989-2006 (Zenith North, for BBC); *Shoot to Kill* 1990 (ITV); *Gophers*! (Channel 4); *Hamish MacBeth* 1995-1997 (BBC); *Ant and Dec Show* 1995 (CBBC); *Rhodes* 1996 (BBC); *Two Thousand Acres of Sky* 2001 (BBC); *55 Degrees North* 2004-2005 (BBC). In May 1998, ITV commissioned Ant and Dec Productions - a joint venture with Zenith North - for 52x180 minute Saturday morning kids show *SMTV:/LIVE.*

Turnover:	2002 (£23.68m);	2003 (£18.15m);	2004 (£14.3m);	2005 (£17.58m)
Staff:	30	30	N/A	29

b) **Hartswood Films**

Hartswood was founded in 1989 by Beryl Vertue who had previously worked in the 1960s at Associated London Films. After Associated London was acquired by Stigwood, Vertue acted as deputy chair of Stigwood Organisation from 1967 till the 1980s selling formats to US and Europe.
Talent
Key writers: Simon Nye (*Men Behaving Badly*, *Coupling*, *Is it Legal?*), Mark Gatiss, Simon Moffat, Steve Thompson (*Sherlock*).
Finance
Since 2010 the company has been reliant on *Sherlock* its major success, commissioned by the BBC and distributed by BBC Worldwide.
Commissions
Men Behaving Badly 1992 (ITV), then 1994-1998 (BBC); *Sherlock* 2010-2017 (BBC); *Coupling* 2000-2004 (BBC).

Turnover:	2002 (£0.96m);	2003 (£1m);	2004 (£1.25m);	2005 (£1.47m);	2006 (£4.6m);	2007 (£8.94m);
Staff:	6	6	N/A	7	N/A	7

Turnover:	2008 (£1.9m);	2009 (N/A);	2010 (£2.84m);	2011 (£5.0m);
Staff:	7	N/A	7	8
Programme hrs:				0.5

Turnover:	2012 (£9.16m);	2013 (£13.00m);	2014 (£19.57m);	2015 (£11.85m);	2016 (£5.47m)
Staff:	N/A	8	8	8	8
Programme hrs:		3	10.5	1.5	1.5

c) Drama Republic

Founded in 2013 by Greg Brenman and Roanna Benn after they left Tiger Aspect. Drama Republic has a first look distribution deal with BBC Worldwide.
Talent
Hugo Blick (writer-director), Mike Bartlett.
Commissions:
Doctor Foster 2014-2017 (BBC)*; Honourable Woman* for BBC2/Sundance Channel; *Us* 2016 (BBC); *King Charles* 2016 (BBC); *Black Earth Rising* 2016 (BBC); *Pure* 2017 (Channel 4).

Turnover:	2014 (£8.55m);	2015 (£8.82m)
Staff:	8	10
Programme hrs:	8	6.5

Firm Type 6 – Writer-owned indie

a) Red Planet Pictures

Red Planet was founded by Tony Jordan in 2005 and benefited initially from a close relationship with the BBC.
Talent
Tony Jordan*,* who initially worked on *EastEnders* then at Kudos (on *Hustle* etc). The writer Robert Thorogood was discovered through Red Planet's writing competition.

Commissions
Death in Paradise 2010-2017 (BBC); *The Great War* 2014 (BBC), *Dickensian* 2015 (BBC) plus a number of single films (*The Passing Bells*, *Stop! In the Name of Love*) all for the BBC. *Hooten and the Lady* 2016 (Sky 1)

Turnover: 2007 (£0.6m); 2008 (£0.53m); 2009 (£1.22m); 2010 (£0.7m);
Staff: 9 8 6 5

Turnover: 2011 (£); 2012 (£7.75m); 2013 (£14.67m); 2014 (£15.66m); 2015 (£23.04m); 2016 (£27.05m)
Staff: 10 10 16 17 23
Programme hrs: 14 10.5 11.5 28

b) AbbottVision

Founded by Paul Abbott in 2009. Abbott had previously founded Tightrope in 2003 with his long-term producer collaborator, Hilary Bevan Jones. He ceased holding a directorship of this company in 2012 though his son and wife retained a shareholding. Furthermore, Abbott has worked regularly as a writer (often with an additional Executive Producer credit) with Red Productions. The company has had some success with commissions from Channel 4 and Sky Atlantic.
Talent
Paul Abbott, Danny Brocklehurst.
Finance
A three year first look deal signed with Fremantlemedia Enterprises in 2009. Beneficiary of commitments from BBC and development commissions from ITV. In 2014 finance secured from Coutts (£800k).
Commissions
Exile 2011(with Red, BBC); *No Offence* 2015-2017 (Channel 4); *Hit and Miss* 2012 (with Red, for Sky Atlantic).

Annual turnover, staff numbers and programme hours are unavailable.

c) RSJ Productions

Founded in 2009 by Jimmy McGovern, with Sita Williams and Roxy Spencer (who had worked with McGovern at Granada on *Cracker* and *The Street*). Sita Williams listed as sole director in filing at Companies House. McGovern had previously worked with a number of producer-led companies on high-end dramas. After the formation of his own company he continued to work with LA Productions (run by Colin McKeown).
Talent
Co-founder/writer Jimmy McGovern.
Commissions
Accused 2010 (BBC); *Banished* 2015 (co-production with See Saw Films, BBC/BBC Worldwide).

Annual turnover, staff numbers and programme hours are unavailable.

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