Optimum organizational performance depends heavily upon an organization’s ability to recognize and respond to changes in its environment. In some industries, the environment can undergo frequent and rapid change, which places a greater analytical burden upon decision-makers. Such is the case in the broadcast television industry, where rapid technological change is leading to increased competition for audiences and for advertising dollars.

Previous research has demonstrated that organizational leaders and decision-makers often suffer from a tendency to operate under mental models of their environment that have not kept pace with changing environmental conditions, and that this tendency toward ‘cognitive inertia’ is particularly pronounced among – and particularly dangerous for – organizations operating in very dynamic environments. This study examines if – and to what extent – cognitive inertia is affecting the broadcast television industry, with a particular emphasis on how the dual-product marketplace nature of the industry might bear upon such determinations.

The first section of this paper reviews the concept of cognitive inertia and its possible effects on organizational decision-making. The second section provides an overview of key characteristics of – and changes taking place within – the broadcast television industry. The third section describes the participant observation methodology employed. The fourth section describes and analyzes the findings. The final section presents recommendations and conclusions.

Cognitive Inertia and Organizational Decision-Making

Cognitive inertia can be defined as an organization’s tendency to operate under perceptions of the environment that have failed to keep pace with changing environmental conditions. These changing environmental conditions can be economic (i.e., involving changes in consumer demand, intensity of competition, or in costs for raw materials), political (i.e., involving changes in the regulatory environment) or technological. Cognitive inertia arises from the fact that organization leaders and decision-makers tend to – by necessity – form simplified representations of the environment in which they operate (Hodgkinson, 1997; Porac & Thomas, 1994; Zajac & Bazerman, 1991). Decision-makers must cope with an enormous amount of information regarding their external environment – more information, in fact, than they are likely to be able to process effectively (Barr, Stimpert, & Huff, 1992; Reger & Huff, 1993). According to Porac and Thomas (1990), ‘Because of the imperfect flow of information about other organizations . . . and the cognitive limitations of the strategist, a complete assessment [of the business environment] is impossible’ (p. 226). Thus, the formation of simplified ‘mental models’ (O’Keefe & Nadel, 1978) allows decision-makers to understand various situations and environments and ‘to perceive environments on a larger scale, beyond the range of immediate perception’ (Bar, et al., 1992, p. 16).

Abstract

This study employs participant observation methodology to examine the U.S. broadcast industry’s cognitions of its external environment. Previous research has documented a tendency among industry participants to operate under outdated mental models of their environment. This tendency – labeled ‘cognitive inertia’ – provides the analytical framework for this study. The results provide indications that broadcasters operate under what appear to be outdated mental models of their external environment, with broadcasters appearing to pay inadequate attention to competing program sources and failing to account for the changing demographic composition of the television audience. However, these conclusions are tempered by the broadcast industry’s dual-product marketplace characteristics, wherein cognitions that would appear to reflect inadequate assessment of the content market may in fact reasonably reflect the contemporary realities of the audience market.

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Thus, these simplified mental models can, from a decision-making standpoint, provide benefits to the organizational decision-making process.

There are, of course, dangers to this cognitive tendency as well. For instance, reliance upon simplified representations of the environment can lead decision-makers to ignore or discount important information, and thereby make poor decisions. According to Hodgkinson (1997), ‘Because new information about changes in the environment is interpreted from the perspective of a current organizational definition, a mental model acts as a subtle filtering device, removing anomalous data’ (p. 234). As a result, decision-makers may tend to operate under representations of the world that ‘are likely to be of historical environments rather than of current ones’ (Kiesler & Sproull, 1982, p. 557) and make decisions that do not reflect the realities of the contemporary environment.

A number of researchers have uncovered evidence of cognitive inertia at both the organizational and industry levels. For instance, Reger and Palmer (1996) found that, within the U.S. financial services industry, strategists’ ‘mental maps’ of the industry failed to keep pace with changing environmental conditions, such as deregulation. Similarly, Hodgkinson (1997) found that, within the British real estate industry, study participants’ perceptions of the marketplace remained stable even as environmental conditions changed (in this case, as the industry moved into a significant downturn). Obviously, in such a situation, organizational performance can suffer, as ‘competitive blindspots’ (Hodgkinson, 1997, p. 237) may form that prevent organizations from responding effectively to changes in their environment.

Within the context of the behavior of media organizations, the phenomenon of cognitive inertia has not been directly addressed, though researchers have documented behavioral patterns that, when examined retrospectively, certainly appear to be behavioral manifestations of cognitive inertia. Perhaps the most compelling example is Ken Auletta’s (1992) well-known depiction of the decline of the traditional ‘Big Three’ broadcast networks (ABC, NBC, CBS) in the 1980s. Auletta (1992) attributes this decline to the networks’ leaders’ inability to effectively recognize and respond to the competitive threat posed by cable television and the videocassette recorder (VCR) as they became increasingly popular. Auletta (1992) went so far as to characterize the Big Three broadcast networks as the ‘Three Blind Mice’ (the title of his book). Auletta’s findings not only support the general notion of cognitive inertia having a negative effect on performance, but also the more specific assertion that continued growth and profitability (certainly an accurate description of the state of the broadcast networks leading up to the arrival of cable and the VCR) can ‘further confirm and strengthen outdated models, delaying change until growth slows or stops and the effects of inadequate mental models are felt’ (Bar, et al., 1992, p. 18).

Similarly, in a more broadly focused review of the history of established media’s response patterns to new media technologies, Napoli (1998) found that the first response stage is typically one of complacency, in which established media fail to respond or adapt to new technologies, under the assumption that these new technologies do not have the potential to significantly change the competitive landscape. As Napoli’s (1998) review illustrates, this perspective characterized the newspaper industry’s initial response to radio, the magazine industry’s initial response to television, and the motion picture industry’s initial response to television. In each of these cases, industries suffered for failing to recognize the competitive threat sooner. This behavioral pattern suggests that cognitive inertia may in fact be a common problem affecting media organizations.

The Broadcast Television Industry as a Dual-Product Marketplace

Like many segments of the media industry, the broadcast television industry operates in a dual-product marketplace. That is, broadcasters produce and market one product – content – in an effort to simultaneously produce and market a second product – audiences. In the television content market, broadcasters face direct competition from other television content providers, such as direct broadcast satellite and cable television, as well as from other broadcasters in their market. All of these programming sources compete to provide their content to audiences. Many of these content sources (premium cable channels such as HBO and Showtime being notable exceptions) also simultaneously compete in the audience market, where audience attention is sold to advertisers. Success or failure in the audience market is a function of success or failure in the content market, and vice versa. Thus, for instance, a broadcast station that fails to attract a sufficiently large or demographically desirable audience for its content has a relatively unappealing product to sell in the audience marketplace. Similarly, a station that tends to attract an insufficiently large or demographically desirable audience will not have the financial resources (relative to its competition) to produce content capable of attracting a larger or more desirable audience. In these ways, the audience and content markets are tightly intertwined, even in a case such as broadcast television, where all revenues are derived from the audience market.

The competitive environment that broadcasters face – in both the audience and content markets – has grown more complex in recent years, not only with the increase in cable and DBS subscribership, but also with the introduction of digital cable systems (with channel capacities numbering in the hundreds) and Internet-based video pro-
rogram delivery systems. Moreover, the past eight years have seen the arrival of three new national broadcast networks (UPN, WB, and PAX). All of these developments have contributed to an increased fragmentation of the television audience, as any one content provider today faces an unprecedented number of program options competing for audience attention and advertising dollars. Today, nearly 70 percent of U.S. households subscribe to cable television. Another 15 percent subscribe to direct broadcast satellite service. Cable networks (also available via direct broadcast satellite) in the aggregate attract, on average, over 50 percent of the prime-time television audience. The traditional Big Three broadcast networks (ABC, NBC, CBS), which controlled over 90 percent of the television audience in the 1970s, today typically attract a combined 30-35 percent of the prime-time audience.

Changing environmental conditions for the broadcast television industry involve not only changes in the competitive environment, but also changes in the demographic make-up of the television audience. Of particular importance is the fact that the U.S. population is growing steadily older (Downey, 2000), with a larger percentage of the population, and hence the television audience, now over 50 years old. Given that the audience marketplace provides the sole revenue stream for television broadcasters, and that audience age has become a central factor in television programming decisions (see Napoli, 2003), it is important to examine if and how industry cognitions reflect this demographic shift.

Consideration of these defining characteristics of the contemporary television environment from an organizational cognitions perspective leads to the following research questions:

**RQ1:** To what extent do the broadcast television industry’s cognitions of its external environment account for the increasing complexity and competition that results from the growth of alternative delivery technologies?

**RQ2:** To what extent do the broadcast television industry’s cognitions of its external environment account for the shifting demographics (i.e., aging) of the tele vision audience?

**RQ3:** How does the broadcast industry’s operation within a dual-product marketplace affect the process of assessing the industry’s environmental cognitions?

### Methodology

A period of six weeks (typically 15-20 hours per week) was spent as a participant observer (see Jorgensen, 1989) in a broadcast television industry rep firm. The participant-observation methodology was employed to facilitate reasonably unobtrusive gathering of data regarding the attitudes, opinions, and behaviors of broadcast television industry participants to a degree not possible via more obtrusive methods such as interviews or mail or telephone surveys. Such more obtrusive methods generally yield fairly low response rates from industry professionals, given the enormous demands on their time and, of course, rely entirely upon respondent self-reports of their attitudes and behaviors, which can raise questions about the validity of the data obtained.

Rep firms represent local television stations in the national spot advertising market. In this capacity, they provide a variety of services, including sales, research, and assistance in developing program schedules and acquiring programs. The rep firm that served as the focal point for this project is one of the largest and most successful in the United States, representing primarily network-affiliated stations (and station groups) in most of the nation’s largest markets. Through the rep firm’s interactions with both national program sources and local stations, the time spent as a participant-observer facilitated observations of both the national and the local components of the broadcast television industry.

The time spent at the rep firm afforded the opportunity not only to observe and participate in the activities of the rep firm’s sales, research, and programming personnel, but also to observe the activities of other industry participants. Specifically, the participant observation period coincided with the introduction of the broadcast networks’ fall, 2001 program schedules. Consequently, it was possible to attend the affiliate presentations of the fall schedules of five of the major broadcast networks (three of the “Big Four” [ABC, CBS, NBC, FOX] and two of the three “emerging” networks [WB, UPN, PAX]) and observe the interaction between the broadcast networks and their affiliates in this context.

In addition, the time spent at the rep firm included the opportunity to sit in on meetings with (and informally interview) a variety of industry participants, including program syndicators (who frequently pitch programs to rep firms so that the rep firms will recommend that their clients purchase the programs), media buyers (who purchase advertising time from the rep firms’ clients), motion picture studio representatives (who pitch syndicated movie packages to the rep firms), research organizations (from whom the rep firms are a major purchaser of data), and representatives of individual stations and stations groups (who are the rep firms’ clients). In this regard, the time spent at the rep firm provided a window into the activities of many participants in the broadcast television industry. Finally, the participant-observation period also afforded the opportunity to gather and analyze over 1,000 pages of internal and external documents, including promotional materials, research reports, orientation materials, correspondence, and internal memos.
Results

Research Question One addressed how broadcasters are assessing an increasingly complex environment, one in which cable television is capturing an increasing proportion of the television audience and in which newer media technologies such as the Internet and Direct Broadcast Satellite provide additional alternatives to broadcast television viewing. Although these changes suggest that broadcasters should operate under a much broader conceptualization of their competitive environment than in the past, the literature on organizational cognitions reviewed above suggests that a more simplified conceptualization of the competitive environment might prevail. The participant observation period facilitated observations related to this issue at both the local station level and the national network level. Separation of the analysis along such geographic lines is important given that these different geographic markets have very different competitive conditions, as well as different measurement systems for determining audience composition. National broadcast networks compete primarily with other national broadcast and cable networks for ad dollars from national advertisers. Local broadcasters attract both local and national television advertising dollars, and in doing so must compete with other local stations in the market (anywhere from three to 25, depending upon the size of the market) as well as local cable systems. These differences are further reflected in the fact that the national television market is measured continuously via electronic people meters, whereas local markets are measured only four to six times a year (with one-month measurement periods), via paper diaries (only the Boston market is currently measured electronically).

Looking first at the local station level, the participant observation period provided numerous opportunities to observe meetings and conference calls between rep firm programming executives and station managers in which the primary subject of discussion was station programming strategy. In these programming strategy discussions, the rep firm executives and the individual station managers seldom addressed competition from individual cable networks or individual cable programs (nor was potential competition from DBS or the Internet addressed). Instead, the focus of the competitive analysis was on other broadcast stations in the market (primarily other network affiliates) and on how the client’s programming was likely to perform against the programming of these other broadcast stations. According to one rep firm executive, the issue of cable programming typically only arises in station programming strategy discussions when there is a possibility of program duplication (i.e., when a cable network is scheduling an off-network program at the same time a station is considering scheduling the same program). This point would suggest that broadcasters conceptualize competition with cable quite narrowly, requiring analytical attention only when the competition for audience attention is so direct as to involve the scheduling of the exact same program.

However, a slightly different picture emerged within the context of the national broadcast networks, though there appeared to be some variations among the networks in terms of their conceptualizations of the competitive landscape. A unique window into the broadcast networks’ conceptualization of their competitive environment was provided via the networks’ presentations of their fall, 2001 prime-time schedules to their affiliates. These presentations always were accompanied by grids presenting each night’s programming, along with the programming of competitors. Network representatives then discussed each program’s prospects, often with references to how each program was likely to match up against the competition. Thus, these grids and their associated presentations provide insights into who network leaders consider to be their major competition.

These schedule grids, and their associated discussions, varied in their comprehensiveness across networks. For instance, in its presentation of its fall, 2001 line-up to its affiliates, one Big Three network only engaged in anticipated performance comparisons with the other traditional Big Three broadcast networks. Similarly, another Big Three network compared the prospects for its line-up only to those of the other Big Four broadcast networks. In contrast to the traditional Big Three, two of the newer broadcast networks drew comparisons between their line-ups and the line-ups of five of the other major broadcast networks.

One of the ‘emerging’ networks went a step further in its conceptualization of the competitive environment, also addressing potential competition from cable television in significant detail. For instance, the general manger of one affiliate of this network noted during an affiliate strategy presentation that her station did not accept commercials advertising certain cable programs in order to avoid helping competing program sources attract an audience – even in cases when the cable program was aired on a network owned by the affiliate network’s parent company. An ex-
ecutive for this broadcast network went further in addressing competition from cable by noting that, ‘We must be on equal branding ground with cable brands.’ Executives from this network also compared their network’s performance in attracting a young demographic with younger-skewing cable networks, such as MTV. These ‘emerging network’ executives not only addressed potential competition from individual cable networks, but also competition from individual cable programs. For instance, in describing the prospects for their programming line-up that would run against TNN’s (The National Network) World Wrestling Entertainment programming, one executive said media buyers should expect his network to deliver ‘more men, as TNN’s wrestling is downtrending.’ This was the only instance observed during the participant observation period in which the prospects for a broadcast program were discussed in relation to potential competition from a specific cable program.

The patterns evident in these conceptualizations of the competitive environment suggest that newer broadcast networks are operating under a broader notion of who their competitors are than older, more established broadcast networks, and thus appear more likely to account for the increased complexity of the competitive environment than are the more mature firms. However, this conclusion is undermined by another ‘emerging’ broadcast network’s presentation of its competitive environment, which included anticipated performance comparisons only between itself and a second emerging broadcast network. This contrast between how the emerging broadcast networks represented their competitive environment is striking given the similarity of the two networks in terms of their age and overall ratings performance. Perhaps these differences are indicative of different strategies toward establishing a viable new broadcast network, with one network thinking in terms of establishing itself within the broader range of program options, and the other network seeing its success contingent primarily upon outperforming the other major emerging broadcast network.

Given the relative infrequency with which alternative content sources entered into the observed competitive calculus of either broadcast television stations or networks, these results seem to support one rep firm executive’s observation that broadcast television schedulers tend to ‘look at competition on the broadcast side more than the cable side.’ Given the relative lack of attention devoted to cable (certainly the largest potential competitor for audience attention), it is perhaps not surprising that, during the participant-observation period, virtually no attention was seen being devoted to other potential sources of competition, such as DBS or the Internet.

It would appear that cable alone (with its multitude of channels) may introduce a level of complexity that broadcast industry strategists cannot effectively incorporate into their strategic analyses. Indeed, there is reason to suspect that effectively processing all of the relevant information in this increasingly complex competitive environment is a significant challenge for the broadcast industry, as the resources devoted to data analysis appear to be rather limited. One rep firm research director stated that most research directors in local markets lack training, and that many local stations do not even have research directors. According to this same research director, many people enter research positions in order to eventually move into sales positions and many who work in research positions (many research positions are entry-level) tend to be young and inexperienced. As one rep firm executive noted, ‘Some 23-year-old kid analyzing data tends to keep things simple.’ Another rep firm executive described research analyst positions as involving ‘low pay and high turnover: We only expect people to stay a year to 18 months,’ before either moving up into a different position within the company or leaving. Obviously, in such an environment, research positions are not likely to be staffed with people with the experience and expertise to engage in the more sophisticated analyses of audience data that a changing and increasingly complex media environment may require. This, in turn, may contribute to mental models of the competitive environment that fail to keep pace with changing conditions.

Research Question Two addressed the issue of how broadcasters are responding to the changing demographics of the television audience. Here again there appeared to be evidence of cognitive inertia in terms of how broadcasters were responding to this environmental change. Over the past two decades, the primary metric for success in the broadcast television industry has become persons 18-49 (and, in some cases, persons 18-34). During the participant observation period, it became clear that when programmers and researchers assess the performance of individual programs or stations, the key issue is the station, network, or program’s ability to attract viewers in the 18-49-year-old age bracket. Each of the upfront presentations for the broadcast networks emphasized the importance of attracting a reasonably young demographic. One emerging network was particularly extreme in this regard, emphasizing that it alone among the major broadcast networks had a median age of under 30, and making the youthfulness of its audience the theme of the entire day’s presentations (the title of the event was ‘The Night is Young’). Executives of one of the traditionally older-skewing broadcast networks emphasized that their ‘lineup is getting younger,’ a statement that in and of itself well-illustrates the integration of the content and audience markets in that a programming line-up is described in terms of the age of the viewers of that line-up.
A similar emphasis on younger viewers was demonstrated at the local level, where rep firm executives and station managers typically discussed station and individual program performance in terms of the number of 18-49-year-old viewers attracted. In those occasional instances in which the performance metric shifted away from demographics and to households, it was typically because the situation was one in which the local audience measurement system’s sample size was insufficient to facilitate demographic breakdowns for an individual program.

The stated presumptions underlying this demonstrated focus on younger viewers were that they are the age category with the greatest product purchasing power and the lowest levels of brand loyalty. In this regard, the 18-49 demographic becomes a simplifying heuristic (see Loveridge, 1993) for much more complex dimensions of the television audience. Obviously, under such a simplifying heuristic, older viewers are largely ignored. What is particularly striking about the persistence of this simplifying heuristic in the contemporary television environment is the extent to which it seems to fail to reflect changing environmental conditions (see Ahrens, 2002). As was noted previously, the U.S. population is growing steadily older, meaning that 18-49-year-olds are accounting for a shrinking percentage consumers (Downey, 2002). Moreover, individuals in the 50+ category today (e.g., baby boomers) exhibit significantly different attitudes and behavioral characteristics than previous generations of seniors. Specifically, people over 50 today spend money more freely than previous generations, engage in more active lifestyles, and exhibit lower levels of brand loyalty (Downey, 2002; Nevius, 2002). These patterns suggest that a change in mindset in terms of audience targeting strategies would be appropriate. Regardless, the emphasis on attracting 18-49-year-old viewers (or younger) remains a defining characteristic of the broadcast television industry (see also Surowiecki, 2002).

The above observations appear to be fairly straightforward examples of industry leaders and decision-makers suffering from cognitive inertia and maintaining mental models that have not kept pace with changing environmental conditions. However, when seeking to determine why such a phenomenon takes place, the answer may be more complex than a lack of attention to, or resources for, analysis of the external environment (the most common explanations for cognitive inertia). There may be an additional or alternative explanation for this phenomenon—one that arises from the unique characteristics of the television industry’s dual product marketplace nature. This issue was the focus of Research Question Three. Looking first at the issue of how broadcasters conceptualize their competitive environment, recall that the television industry is one in which participants compete not only for audiences for their content, but for advertising dollars as well. Although the cable television industry has made significant inroads in the content marketplace—attracting, in the aggregate, a very large percentage of the television audience—cable has not made equivalent inroads in the audience marketplace (Kieschnick & McCullough, 2000; Waterman & Yan, 1999). That is, while cable does attract roughly 50 percent of the television audience in a given evening, cable television’s share of advertising dollars falls quite short of its share of the audience. For instance, in last year’s ‘upfront’ buying period, cable’s 50 percent audience share was accompanied by only 37 percent of television ad dollars (Downey, 2003).

Advertisers apparently are willing to pay a premium for advertising on broadcast television over cable television. One rep firm executive described a common tendency among media buyers to run sophisticated ‘optimizer’ software applications that help in determining the optimal distribution of media placements and then to ignore a certain degree the recommendations of these applications to rely more heavily on cable ad placements. Such behavioral patterns would seem to reflect the preference of many national television advertisers for the larger, more traditional mass audiences of broadcast television over the highly fragmented, narrowly defined audiences of individual cable networks (individual cable networks—which there are now over three hundred in the U.S.—typically attract more homogeneous audiences than do individual broadcast networks).

This preference for broadcast television over cable among advertisers is particularly pronounced in local markets, where cable accounts for a very small percentage of local advertising expenditures (Parsons & Frieden, 1998; see also National Cable and Telecommunications Association, 2002). The current television environment is one in which local television stations remain one of the most lucrative components of the television industry. Network-affiliated television stations often have profit margins of greater than 25 percent (Walker & Ferguson, 1998). Consequently, network ‘owned-and-operated’ station groups generally are the profit centers for most of the broadcast networks (local news is particularly lucrative), as the national network business can often involve substantial annual losses. It is perhaps not surprising then that the participant observation period revealed less concern among broadcasters with cable competition at the local level than it did at the national level. Local broadcast stations have yet to feel as compelled as their national network counterparts to update their perceptions of the competitive environment to account for the competitive threat that cable television may ultimately represent. As was noted previously, continued growth and profitability can further confirm and strengthen outdated models, delaying change until growth slows or stops.
and the effects of inadequate mental models are felt’ (Bar, et al., 1992, p. 18).

Ultimately, to the extent that the cable industry continues to earn a share of advertising dollars that is less than its share of the audience it attracts, cable’s competitive presence in the audience market is less prominent than its presence in the content market. Thus, the question of whether or to what extent a firm or industry is suffering from cognitive inertia may be a bit more complex when the industry or firm operates in a dual-product market. The extent to which a mental model requires change in one product market may not be as severe in the other product market. And in the case of broadcast television, where all revenues are derived from the audience market, it is the competitive dynamics of the audience market that are likely to have the greater effect on organizational cognitions of the external environment.

The dual-product marketplace nature of the broadcast television industry similarly is a factor in understanding the continued emphasis on the 18-49 age category in the face of the changing demographic characteristics of the television audience. Here again is the dynamics of the audience market that likely are affecting decision-making in the content market. Specifically, advertiser demand for 18-49-year-olds in the audience market is fueling the continued emphasis on serving this age category in the content market. To the extent that the advertising industry continues to emphasize the 18-49 demographic category in its media buying, broadcast programmers are compelled to respond. The audiences that broadcasters target is driven entirely by advertiser demand, and whether or not advertiser demand for certain audience segments is irrational or outdated ultimately has little bearing on broadcasters’ programming decisions, as advertisers are the key consumer that broadcasters seek to serve. Thus, in this situation, broadcasters’ behavior in the content market is a rational reflection of the behaviors of their key consumers in the audience market (advertisers) − consumers who themselves may be operating under an outdated mental model of their environment. In such a scenario, it becomes more difficult to ascribe cognitive inertia to broadcasters, as they remain bound by the mental models of the advertisers that support them.

Conclusion

This study has examined the broadcast television industry and the extent to which its cognitions of the external environment reflect changing conditions. The results suggest that different participants in the industry operate under different mental models of their competitive environment. For instance, while some emerging national broadcasters appear to factor cable television quite heavily into their competitive calculus, other national broadcasters, and most local broadcasters, tend to not directly consider the issue of competition from cable, even in light of continued audience erosion to cable and the dramatically increasing channel capacity of cable systems due to the arrival of digital cable. The results also suggest that broadcast programmers are operating under an outdated mental model of the appropriate demographic groupings to target with their programming, with broadcasters continuing to focus on reaching 18-49-year-old viewers (and, in many cases, 18-34-year-old viewers) despite an aging population and an older generation with distinctly different attitudinal and behavioral characteristics than previous generations of seniors. As is always the case in a participant-observation study − particularly one such as this that took place over a fairly limited time span and did not have equal access to all industry participants observed (given the study’s basis within a rep firm), caution should be urged when considering the generalizability of these findings to the industry as a whole.

However, when considering the implications of the cognitive tendencies observed in this study, while it may be that these tendencies are in part a reflection of cognitive inertia on the part of the broadcast industry, it is also the case that the dual-product marketplace nature of the television industry can help us understand these patterns as somewhat rational responses to the dynamics of the intertwined audience and content markets. Specifically, broadcaster decision-making must be evaluated in light of the conditions in both the content and audience markets. A decision that may appear to reflect an inadequate assessment of environmental conditions in the content market may, in fact, more accurately reflect environmental conditions in the audience market, particularly in a case such as broadcast television, where all revenues are derived from the audience market. Specifically, the nature of advertiser demand in the audience market – both for broadcast audiences over cable audiences and for 18-49-year-old viewers over other demographic categories – helps explain the environmental conditions of broadcast industry participants not as flagrant instances of outdated mental models, but as reasonable reflections of the contemporary dynamics of the dual-product marketplace in which they operate.

Of course, it is essential that if advertiser attitudes and perceptions change, broadcasters mental models of the audience market shift accordingly. Such a possibility is particularly acute in terms of advertisers’ greater valuations of broadcast audiences over cable audiences. Previous research, as well as many trade press accounts, suggest that one of the reasons that advertisers continue to value broadcast audiences more highly than cable audiences – particularly at the local level – is the greater accuracy and reliability of broadcast audience estimates (see Napoli, 2003). This greater accuracy and reliability stems from shortcomings in existing audience measurement sys-
tems for accurately and reliably estimating audiences for cable channels, which typically attract very small audiences individually. Today, the ratings performance for many cable programs – particularly when measured locally – is too small to meet minimum reliability thresholds desired by advertisers, which devalues cable audiences relative to broadcast audiences.

There are, however, changes on the audience measurement horizon that could significantly improve cable television’s ability to compete in the audience marketplace – particularly at the local level. Improvements in television audience measurement such as Nielsen’s local people meter, Arbitron’s personal portable meter, and Adcom’s local cable audience measurement system (see Lotoski, 2000; Napoli, 2003), have the potential to significantly improve cable’s ability to compete for advertising dollars spent in individual markets. The possible diffusion of the improved measurement systems through large television markets would significantly improve the measurement of local cable audiences, just as the national people meter system significantly improved the measurement of national cable audiences and led to a shift in the competitive dynamics between national broadcast and cable networks (Barnes & Thomson, 1988).

In light of this impending increase in data flow that these new measurement systems promise – and its potential effects on the dynamics of the audience and content marketplaces – the institutional role and status of researchers and audience data analysts in the broadcast television industry need to change. The participant observation period frequently provided evidence that much of the audience data analysis that provides the foundation for competitive analysis in both the audience and content markets is handled by relatively inexperienced personnel – particularly at the local level. The level of professional skill and expertise required of these positions needs to keep pace with the changing technological environment of audience measurement and the increasing complexity of the competitive environment. As Stinchcombe (1990) notes, in industries characterized by instability in technologies of production it is inappropriate to rely heavily upon semi-skilled workers capable primarily of performing routinized tasks. The television industry is one in which the technologies of producing audiences – in terms of the technologies for providing the programming to attract audiences and in terms of the technologies of audience measurement – have grown increasingly unstable. The generally low institutional status of many research positions is perhaps more indicative of the much greater simplicity and technological stability of the television industry of previous decades than it is of contemporary conditions. In the past, analyzing the dynamics of the television audience was a much simpler task, requiring less analytical skill and sophistication than it does today. The nature of the industry has changed, however, and the institutional role of those involved in information processing and analysis needs to change accordingly.

Finally, the findings of this study clearly suggest that future research should examine the decision-making dynamics and environmental cognitions within the advertising industry. To the extent that the broadcast industry relies upon advertising dollars for its continued viability, a complete understanding of broadcast decision-making cannot be achieved without a deeper understanding of the decision-making processes and allocation of analytical resources within the advertising industry. In this regard, the findings presented here highlight a point that has received relatively little attention in the broader literature on organizational cognitions – that comparing an organization’s perceptions with environmental conditions is not sufficient for determining the extent to which cognitive inertia is affecting decision-making. It is also necessary to examine the cognitions of the organization’s major clients. Embracing what appears to be an outdated mental model may be entirely rational from an organization’s standpoint if this is the mental model embraced by the majority of the organization’s clients.

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