

The organizational paradox in advertising and the reconfiguration of project cooperation

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Abstract

In recent literature, projects are mostly seen as an efficient form of organization which is particularly suited for mastering tasks of high complexity and creativity and adapting to changing economic and institutional conditions. This paper challenges the assumption that inter-firm projects are persistent organizational arrangements of production in the advertising industry and presents a novel argument about the potential threats to forms of project organization in crisis situations. By exploring the cases of Frankfurt/Main and Leipzig (East Germany), we show that the organization of production is substantially affected by periods of economic crisis or political transformation. We demonstrate that inter-firm projects might be replaced by more durable organizational configurations or might not be viewed as viable options in situations of severe rupture. This applies particularly to the cooperative arrangements in the creative process and leads to an organizational paradox. Although creativity is often a pivotal force to gain competitive advantage, the advertising agencies respond to the challenges of crises by reducing cooperation with external partners to a minimum and sometimes fully rely on in-house personnel. This threatens the potential of the respective firms to develop innovative and creative ideas which would enable the firms to acquire new customers and market segments. Instead of trying to overcome crises by focusing on their creative capabilities, many advertising agencies develop a cost-cutting strategy and rely on more durable network-forms of organization instead of inter-firm projects.

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1. Introduction

In the past years, there has been an increasing academic interest in projects as an organizational form of economic processes. This is due to the increasing importance of projects in large parts of the economy. Some observers might even interpret this as a tendency of projects to replace other forms of economic organization, such as firms and networks, as has been observed in the Hollywood motion-picture industry (e.g. Storper and Christopherson, 1987). Since projects are organized at an inter-personal level and often

cross firm boundaries, they seemingly question the firm as starting point of the analysis of the economic process (DeFillippi and Arthur, 1998; Lundin and Midler, 1998). Projects are a thoroughly structured, temporary organizational form based on the principle of short-term cooperation. Important characteristics are their institutionalized ending and strong goal orientation (Lundin and Söderholm, 1995). In contrast, other organizational forms, such as networks, emphasize the importance of ongoing, trust-based linkages between firms. Projects are mostly regarded as an efficient form of organization which is particularly suited for mastering tasks of high complexity, stimulating creativity and individual learning and adapting to changing economic and institutional conditions.

Focussing on inter-firm projects, this paper challenges the assumption that projects are a persistent organizational

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configuration of production, drawing on the case of the advertising industry. The advertising industry was chosen because it is characterized by an almost ideal-type structure where inter-firm project organization is the rule rather than the exception. By exploring the cases of Frankfurt/Main and Leipzig, it will be shown that the organization of production is substantially affected by periods of economic crisis or political transformation (Bathelt and Jentsch, 2004). To a certain degree, we support the view that projects are a flexible organizational arrangement capable of adjusting themselves to many challenges in the market environment. In this respect, projects can be more efficient than other, more durable organizational arrangements. In this article, we intend to provide evidence that projects might be replaced by more permanent forms of economic organization in periods of economic or political crises, which is, in part, due to some limitations.

The shift in the organizational form applies particularly to the cooperative arrangements in the creative process and leads to an organizational paradox. Tapping into different mindsets and knowledge pools generally opens up opportunities for creativity. This can be a great help in coming up with new, 'trendy' ideas and designs which enable people to leave the normal path of routine solutions. As such, creativity is an important feature to access new markets and compete for contracts. Although creativity is often a pivotal force to gain competitive advantage, the advertising agencies studied respond to the challenges of crises by reducing cooperation with external partners to a minimum and sometimes fully rely on in-house personnel. This threatens the potential of the respective firms to develop innovative and creative ideas which would enable them to acquire new customers and market segments. Based on empirical evidence from the Frankfurt/Main and Leipzig advertising industries, it will be shown that many agencies develop a cost-cutting strategy and rely on more durable network-forms of organization during a crisis, instead of trying to overcome this crisis by focusing on their creative capabilities in inter-firm projects.

In discussing this organizational paradox, our paper aims to contribute to recent discussions in relational economic geography by exploring how firms, in regional perspective, respond to crisis situations by changing their organizational structure which, in turn, affects the development path of the respective regions (e.g. Bathelt and Glückler, 2003). The paper is organized as follows. In Section 2, the merits and challenges of project organization are discussed. At first, a review is given of the advantages and characteristics of project organization. Then, we point out three types of challenges and problems which exist in projects compared to more durable organizational forms. These challenges are related to the establishment of (i) cumulative organizational learning, (ii) trust and (iii) power relations which are conducive to 'efficient' project work. It is argued that project organization is particularly likely to occur in contexts which are characterized by a clear-cut inter-personal division of competencies and a high need for

creative solutions. Section 3 presents the cases of Frankfurt/Main and Leipzig to demonstrate that inter-firm advertising projects tend to shift towards more durable network arrangements in periods of crisis. In the case of Leipzig, characteristics of the advertising industry and its project structures are discussed, which have developed during the course of the political transformation after the Reunification. In contrast to Leipzig, Frankfurt has a large, well-developed advertising sector of national importance. Here, the structure of cooperation in projects is affected by economic stagnation and substantial cutbacks in advertising expenditures.

2. Merits and challenges of project organization

Depending upon the perspective chosen, nearly every economic activity could be viewed as a project. Practically all workflows in firms are based on temporary goals and access to resources. Once these goals are achieved, occasional decisions are made about the future distribution of these and further resources. This is even the case in the context of industrial mass production. A good example for this is the automobile industry. Since such forms of organization can even be traced back to medieval times, it would not be true to say, however, that projects are a new way of organizing capitalist labor processes. Based on Giddens (1990) analysis of the development of modern society, we would argue that the increasing importance of projects and their sophisticated division of labor are a consequence of the dynamics of modernity, stimulated by systematic reflexivity in processes of knowledge creation. A trend towards 'projectification' (Midler, 1995) would fulfill the associated needs for structured production as it involves reflexive learning processes build around a sequence of milestone meetings and flexible team structures that can be adjusted to the particular problem to be solved.

In general, three types of projects can be distinguished, i.e. (i) inter-firm projects, (ii) intra-firm projects, and (iii) projects as independent temporary firms or organizations (Ekinsmyth, 2002). Using a broad definition of projects which encompasses all of these types, however, it would be difficult to examine the specific character of projects. In this paper, we focus on inter-firm projects since this type of organization has received relatively little attention in the past. Inter-firm projects cross the boundaries of firms to fulfill a particular economic goal within a given time period. We view projects as an organizational arrangement or form which differs from other organizational forms, such as hierarchies, markets and networks (Fig. 1). Differences between these organizational forms are due to aspects, such as durability and institutionalized ending, the degree of interdependence between agents involved, the type of power relations, the degree of reciprocity and character of social interaction, as well as the type of coupling between the project partners (e.g. Bathelt and Glückler, 2003). Our treatment of projects is thus related to the discussion regarding which governance mechanisms occur in

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