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Creative industries as hubs of new organizational and business practices☆

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ABSTRACT

Firms and governments increasingly see creative industries as hubs of managerial innovation and experimentation. The opening essay to this special issue examines the role of creative industries as pioneers and highly visible adopters of new organizational and business practices. The paper next focuses on four themes that are especially salient to this process. The first theme looks at creative industries as celebrity industries that popularize and legitimize organizational and business practices. The second theme examines the lessons that relatively low levels of value chain integration have for other industries that are in the process of value chain transformation. The third theme looks at the creative industries and the rise of the experience economy. The fourth theme argues that historical patterns of employment and self-employment in the creative industries foreshadow many of the issues that are experienced by the wider economy. A discussion of the seven papers appearing this special section concludes this introduction.

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1. Introduction

Creative industries are strategically significant engines of economic growth, job creation, and social cohesion (Pratt & Jeffcutt, 2009). But creative industries are also attracting increasing attention as hubs of managerial innovation and experimentation. Take for example the Hollywood film industry. When the Hollywood film industry transitioned from a vertically integrated studio system to flexible specialization in the late 1950s the managerial practices that emerged were seen as anomalies in an era when commentators and practitioners alike considered the management of large hierarchical corporations to be the epitome of 'best' practice (Lampel & Shamsie, 2003). Today one is more likely to see large hierarchical corporations as bastions of managerial conservatism, and firms in creative industries such as film, music, interactive software, and design as pioneers of new organizational forms. The discourse of creativity that was at one point associated with impractical risk is now seen as key to economic success. This reversal in where managers look for when it comes to best practices means that creative industries are more likely than ever before to exercise influence on management thinking across a wide range of industries. As Florida (2004, p. 3), nicely summarizes the prevailing view, "In today's economy, creativity and competitiveness go hand in hand."

Different ways are available for examining the influences of creative industries (Lampel, Lant, & Shamsie, 2000). One can look at creative industries as pioneers of managerial and organizational practices. One can also look at creative industries as areas of business that are not necessarily the first to introduce managerial innovations, but are responsible for further development and diffusion of innovations that first arise elsewhere. Finally, one can look at creative industries as industries that play a central role in shaping the future of management, much as manufacturing industries shaped managerial mind sets in the 19th century, and science-based industries in the 20th century.

The papers in this special issue explore creative industries with these three perspectives in mind. All of the papers were first presented at the 3rd INTERREG conference in Deauville (7 & 8 November 2013) organized by partners EM Normandie and University of Southampton, supported by the European Regional Development Fund. More papers were submitted in response to our special issue call. The papers that appear here were selected following a review process that emphasized their contribution to the understanding of creative industries in particular, and the lessons that creative industries can have for managerial practice in general.

During the conference, and subsequently in the papers that were submitted, the impact of creative industries on other industries, whether by example, imitation, or direct transfer of practices, was often raised and discussed. Discussing in depth all these issues is beyond the scope of this introduction. So instead this paper focuses on four key themes that emerged which are particularly salient to our understanding of how creative industries influence practice in other industries. Following a discussion of these themes, there is a summary of each of the papers in this special issue.

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2. Creative industries as celebrity industries

The social theorist, Daniel J. Boorstin (1997), argues that the pervasiveness of mass media in the 20th century has given rise to a celebrity culture. There is a tendency to think of celebrities as individuals, whose name, in the words of Rein, Kottler, and Stoller (1987) "has attention-getting, interest-riveting and profit generating value." Rindova, Pollock, and Hayward (2006) argue that much as individuals can attain a celebrity status, so can firms. They define 'celebrity firms' as those firms that attract a high level of public attention and generate positive emotional responses from stakeholder audiences (p. 51).

Our contemporary celebrity culture owes much to the creative industries, not only because a disproportionate number of celebrities are singers, actors, authors, and designers, but also because so many of the organizations in these industries have achieved celebrity status. Organizations such as the Metropolitan Opera, Disney, the Bolshoi Ballet, and the Cannes Film Festival, attract high level of public attention, and generate positive response from stakeholder audiences. In part this is because there is often a close relationship between celebrities and celebrity organizations. In the case of the Hollywood film industry, one can trace the emergence of the Hollywood studio system in the 1920s directly to audience fascination with film actors such as Florence Lawrence and Mary Pickford. Once the box office power of stars was incontrovertible, studios spent lavishly on finding and creating stars (McDonald, 2000; Basinger, 2009). The studios also invested heavily in 'publicity departments' whose main task was to ensure that actors' lives off the screen attracted as much, if not more, attention as their roles on the screen (Davis, 1993). By the 1930s the ability of studios to put celebrity actors on their payroll became part of their own corporate narrative. MGM, by far the largest and most glamorous studio in Hollywood, billed itself as having "more stars than there are in heaven" (Carey, 1982). Consciously, MGM worked to set itself apart from other Hollywood studios, eventually becoming what Rindova, Pollock, and Hayward (2006) refer to as "celebrity firm".

Mindful of the power of stars, the moguls that controlled the studios went to great length to persuade actors that their celebrity status was entirely the product of their management and support. Many actors, and for that matter other talent, such as directors and writers, disagreed. They argued that stardom was the product of their creative labor, which once established was a resource that they were entitled to nurture and control. In 1919, Mary Pickford, Charlie Chaplin, Douglas Fairbanks, and D.W. Griffith formed United Artists, showing that if studios can create stars, stars can also create studios (Balio, 1987; Basinger, 2009). In the years that followed, celebrity talent in film, music, design, and other creative industries, sought to combine the creative and managerial roles, with mixed results. In haute couture Coco Chanel successfully combined her role as creator and manager, lending celebrity status not only to the product but also to the corporate entity as a business firm (De la Haye, 2011). Martha Stewart, a life style guru, whose talents ranged widely, also gave her name and celebrity to the organization she created and managed, but in her case personal scandal severely damaged the business as well as her personal reputation (Wallace, 2011).

Rindova, Pollock, and Hayward (2006) focus their attention on the power of celebrity firms, without taking account of the reputation and visibility of the industries in which these organizations operate. But taking their thesis further it can be argued that some industries (e.g., Hollywood or haute couture) attain the status of "celebrity industry". One can go as far back as the industrial revolution to find examples of celebrity industries. In their time, industries such as railways, electrical power generation, aviation, and automobiles achieved a celebrity status. Most of these celebrity industries owed their status to engineering and manufacturing achievements that transformed how people live and work. By the second half of the 20th century the list of celebrity industries changed dramatically, with the film industry, music industry, videogames, and other creative industries occupying many of the top positions.

What distinguishes these creative industries from their engineering and manufacturing predecessors is the mystique that surrounds their core processes. Whereas engineering and manufacturing celebrity industries relied on technical skills that could be taught to potential recruits, and processes that could be explained to the wider public, creative industries rely on creative individuals that are often considered to have unique talent, and creative processes that are mysterious if not inexplicable to outsiders. These qualities shape the relationship between these industries and their stakeholders. In particular, the mystique of creative industries means that investments are often disproportionately influenced by hope and credulity, rather than financial criteria that are more compelling when celebrity status is absent. In this respect, creative industries set the pattern for other industries where technical and business creativity is closely identified with individuals who are considered to be exceptionally talented. This happened this during the dot.com bubble of the 1990s when investors bought into the celebrity status of high tech start-ups, ignoring actual performance in favor of projected earnings that were based more on hype than on reality (Vallier & Peterson, 2004). Today it is possible to see the same in the venture capital industry. The industry's star firms and star investors confer star status on the firms they back using processes that are mysterious to outsiders, and arguably even to themselves (Friend, 2015).

3. Value chain transformation in the creative industries

When Stephen Elop assumed the position of CEO at Nokia in 2010, he attributed much of Nokia's tribulations to a fundamental shift in the industry. As he notes in an interview several months later, competition in the mobile phone industry is "no longer a battle of devices, it is a war of ecosystem" (Wall Street Journal, 2011). The mobile phone industry had evolved from vertically integrated firms that fought for market share based on price and quality of their devices, to one where the groups or alliances of firms competed with each other. Nokia gained market leadership as a vertically integrated company, but was slow to adapt to a new business environment.

The view that industries across the board are transitioning from vertical integration to an era of value chain fragmentation was popularized by Michael Piore and Charles Sabel (1984) in their book *The Second Industrial Divide*: *Possibilities for Prosperity*. The central thesis of the book, that vertically integrated large corporations that manufacture and deliver standardized goods to consumers whose needs are relatively undifferentiated, are giving way to flexible production and mass customization was widely perceived as a rejection of the long-standing belief that firms should couple growth with value chain integration. The belief owed much to Henry Ford who created the most celebrated model of scale and vertical integration that was emulated both in the United States, and around the world. The celebrity status of Ford and the Ford motor company were such that the Ford model became known as "Fordism", and the decline of the Ford model not unexpectedly is often referred to as "Post Fordism".

Ford's status as a celebrity and the celebrity status of the company he created may have accounted for the attention his model attracted, but it was underpinned by economic argument that at the time seemed irrefutable. Many years later, Oliver Williamson (1971) used transaction costs theory to explain the power of the Foridst model, but he also pointed out its limitations. Thus, the cost of writing multi-contingency contracts that specify deliverables and protect firms against opportunistic behavior motivates vertical integration. Integration is further reinforced by managerial innovations that increase the efficiency of internal organizational coordination. But there are diminishing returns to the advantages of internal coordination. Thus, disintegration will occur when the costs of internal coordination exceed external transaction costs. This will tend to happen as market institutions evolve and mature industries find it easier to specify and enforce contracts (Jacobides & Winter, 2005; Langlois, 2003). Transaction costs will then decline, and with it, there will be a corresponding incentive to outsource internal activities.

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