Patryk Dziurski

Success in Creative Industries. A Discussion About Critical Success Factors

Abstract

The goal of this article is to present a discussion about the critical success factors in creative industries and recommendations for the managers within them. In the article we positively verify the thesis that sectors in creative industries have general as well as sector-specific critical success factors. Additionally, we formulate the thesis that organisations in creative industries, due to their nature, are specifically managed. This has justified an increase in the number of research on management in organization on creative industries, which enable us to raise the knowledge about those sectors and formulate recommendations for their managers.

Keywords: creative industries, creative economy, critical success factors, success
1. Introduction

Managers in creative industries, due to their nature, face many management challenges and as a consequence, success is difficult to achieve. Success can be measured by critical success factors (CSF). An organisation that meets CSF will have a chance to become a sector leader. Critical success factors influence the competitive position of an organisation and growth possibilities. Knowing and fulfilling critical success factors is crucial in order to succeed. Thus, the goal of this article is to present a discussion about CSF in creative industries and recommendations for the managers within them. In the article we verify the thesis that sectors in creative industries have general as well as sector-specific critical success factors.

The article consists of three parts. In the first part, we present the essence of creative industries. In the second part, we indicate the key characteristics of creative industries, which make them different from other sectors. Additionally, we place an assumption that those properties influence how organisations in creative industries are managed and we formulate the thesis that organisations in creative industries are specifically managed. In the last section we answer the question of how to succeed in creative industries by indicating the critical success factors and presenting some practical recommendations for managers from creative industries. The applied research methods are: critical analysis of the literature and deduction.

2. The Essence of Creative Industries

The concept of creative industries is a combination of a diversified set of activities. Primarily, it merges sectors, which are highly capitalized and industrialized in their modes of production and distribution (e.g. music industry, film industry) with labour-intensive sectors, which can be broadly defined as craftsmanship (e.g. arts, craft, design). Secondly, it joins highly commercial sectors (e.g. advertising and marketing) with activities, which are mainly driven by public subsidies (e.g. visual and performing arts)\(^1\). Thus, the concept of creative industries synthesise art and business. On the one hand, cultural has been ‘economized’, which means that the business standards have been implemented to widely understood cultural activities.

On the other hand, we deal with the acculturation of the economy. This means that the economy is a system, which is influenced by culture and ethic values.

The concept of creative industries was born in the United Kingdom in the late 90s of the XX century and then it was spread rapidly around the world. Recently, creative industries are common topic in public as well as academic discourse. The concept of creative industries was created as a result of political decisions, but it responds to two key changes, which occurred at the turn of the century. The first change is the rapid development of new information and computing technologies (ITC), which has influenced supply (e.g. productivity increase) as well as the demand (e.g. new ways of consuming creative and cultural goods and services) section of the market. The second change is the growth of socio-economic complexity and uncertainty.

Thus, in the concept of creative industries art, media and design are merged with digitalization, creativity and intellectual capital. It is an interface between creativity, culture, economics and technology in the rapidly changing world.

In the article creative industries are understood as defined by the Department for Culture, Media & Sport (DCMS) in Great Britain. Creative industries are those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. Creative industries entail activities such as: (1) advertising and marketing, (2) architecture, (3) crafts, (4) design, (5) film, TV, video, radio and

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4 C. Bilton, op.cit., p. 164.


photography, (6) IT, software and computer services, (7) publishing, (8) museums, galleries and libraries, (9) music, performing and visual arts\textsuperscript{11}.

3. Creative Industries as an Interesting Topic to Explore

Creative industries are an interesting topic to explore, because organisations operating therein produce goods and/or provide services that are account for the Gross National Product (GNP), export earnings and employment statistics. Moreover, they are described as a mechanism for social inclusion. Additionally, creative industries differ from other activities in the rest of the economy. M. Lavanga and I. Rozentale indicate that the worldwide discourse addressing creative industries (...) rely almost exclusively on a set of commonalities proposed in the early works on creative industries outlining why they are “not just another business”\textsuperscript{12}. Moreover, authors indicate that those properties are replicated in research as well as policy-making\textsuperscript{13}.

J. Lampel et al. indicate that cultural industries\textsuperscript{14} are clearly different from most other industries: Their products evoke intensely private experiences, and they tap values and aspirations that are neither utilitarian nor commercial. For the most part they bank on the successful use of creativity, which is a resource that ultimately cannot be controlled\textsuperscript{15}. As authors cite, it makes cultural/creative industries different from other businesses and, as a consequence, it raises a level of ambiguity and dynamism to their environment, but it should be noted that it is not typical only for cultural/creative industries, it is a common characteristic for all organisations. Thus, an unfavourable

\textsuperscript{13} Ibidem.
\textsuperscript{14} In the article J. Lampel et al. use term ‘cultural industries’, which was widely use in XX century. In XXI century, in most cases, the term ‘cultural industries’ was replaced by the term ‘creative industries’. Nevertheless, both terms are still in use (See e.g. S. Cunningham, From Cultural to Creative Industries: Theory, Industry, and Policy Implications, “Media International Australia Incorporating Culture and Policy: Quarterly Journal of Media Research and Resources” 2002, vol. 102, pp. 54–65). Due to definitional and notional chaos both terms can refer to the same activities as well as to the different ones. It is necessary to define precisely used terms. Please note that conclusions of the cited article can also refer to creative industries.
and turbulent environment does not make creative industries not just another business, but their internal contradictions do. J. Lampel et al. note five polarities:

- artistic values versus mass entertainment,
- product differentiation versus market innovation,
- demand analysis versus market construction,
- vertical integration versus flexible specialization,
- individual inspiration versus creative systems.

Managers in organisations operating in creative industries should consider those contradictions. It does not mean choosing one extreme against another, but choosing balanced solutions in order to achieve set goals. For example, an organisation focuses on mass entertainment and cannot ignore the artistic value. Likewise, an organisation, where artistic value is dominant, can take no notice of commercial realities. Finding a correct balance between contradictions is a crucial task for managers in creative industries.

R.E. Caves indicates seven characteristic which differentiate creative industries from other businesses: nobody knows (demand uncertainty), art for art’s sake (creative people care about their output; they focus more on the artistic value than on gaining revenues), motley crew (creative process require diverse skills), infinite variety (products are differentiated), A list/B list (vertically differentiated skills), time flies (time is crucial in creative process) and ars longa (products are durable as well as rents). R.E. Caves, based on the theory of contract and industrial organisation studies, examines how these properties influence the activities of organisations in creative industries. He explains the structure of organisations, deals and contracts in creative industries. He concludes that organisations in creative industries differ in substantial and systematic (if not universal) ways from their counterparts in the rest of the economy where creativity plays a lesser (if seldom negligible) role. It can also be stated that, thought prosperities of creative industries, the organisation operating therein have a specific way of management.

An interesting insight into the commonalities of creative industries is also made by H. Collins. He identifies that the creation of a new content and intellectual property is the key activity for organisations in creative industries. Businesses in creative industries are idea-based. They operate in existing markets, but they also create new ones. The sectors in creative industries are polarized. This means that in terms of numbers

\[16\] Ibidem, pp. 265–268.
\[18\] H. Collins, op.cit., p. 18.
of organisations they are dominated by small and medium sized organisations, but in terms of strength they are dominated by large organisations. C. Bilton stresses that small and medium sized organisations create new ideas, which are economically explored by large organisations. Risk, due to the domination of the option contract in the creative industries, has been transferred to small and medium sized organisations. Organisations in creative industries are project-based organisations and they work within complex supply chains and provide products and services to other organisations. Organisations in creative industries flourish in creative clusters. Informal networks are crucial to enable the creation and the circulation of creative outputs. K. Stachowiak and P. Tomczak additionally indicate that, in contrast to traditional industries, activities in creative industries cannot be easily relocated – intrastate or internationally. Creative industries thrive through soft as well as hard infrastructure and in some cases the first one can be even more important.

The assumption that creative industries have a set of commonalities has been criticized. Some indicate that the concept of creative industries combines distinct activities. Others argue that generalisation is impeded due to a lack of solid theoretical foundations and extended empirical research. Some others indicate that, especially

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20 C. Bilton, op.cit., p. 75 and next.
21 R.E. Caves, op.cit., p. 15.
22 C. Bilton, op.cit., p. 75 and next.
28 K. Stachowiak, P. Tomczak, op.cit., p. 49.
in the policy-making, solutions should not be uncritically reproduced\textsuperscript{31}, but they should be adopted considering the specificities of place\textsuperscript{32} and history background\textsuperscript{33}. Nevertheless, taking into consideration critics, it seems that the assumption that creative industries have key characteristics, which differ them from other sectors, is true. In general, creative industries can be distinguished from the whole economy, but analyses should be conducted taking into consideration the local conditions. Consequently, the presented characteristics influence how organisations in creative industries are managed. It allows the formulation of the thesis that organisations in creative industries are specifically managed.

4. Success in Creative Industries

Success can be measured by critical success factors, which are key factors that managers have to take into consideration in order to achieve a level of performance allowing them to gain preparation goals\textsuperscript{34}. CSF influences the competitive position and growth possibilities of the organisation\textsuperscript{35}. Analysis of the critical success factors is based on the Pareto principle (80/20). According to this principle 20% of the factors guarantee 80% of the success. This means that only a small number of factors are important in order to succeed. Managers have to concentrate on few critical factors, not on many trivial ones.

G. Gierszewska and M. Romanowska point out six business areas, where critical success factors can be found: market position, cost position, brand and image of the company, technology, profitability and investments possibilities as well as the organisation and management\textsuperscript{36}. It is worth noting the difference between CSF and the market success factors (MSF), which are appreciated by clients. Thus, MSF can

\begin{footnotesize}
\begin{enumerate}
\item G. Gierszewska, M. Romanowska, \textit{Analiza strategiczna przedsiębiorstwa}, wyd. IV zmienione, PWE, Warszawa 2014, p. 128.
\end{enumerate}
\end{footnotesize}
be found in business areas such as market position as well as the brand and image of the company. Both analyses – CSF and MSF – are relevant and they should be conducted simultaneously. These analyses are not substitutable, but complementary. Nevertheless, analysis of the critical success factors allows a larger picture, because it is a wider examination. In many cases, the sector leader (CSF) is also a market leader (MSF), which is not always the case. For example, market leadership in terms of market share expressed in value can be achieved by limiting investments, reducing margin and as a consequence profitability. As a result, it can cause financial problems and impede growth possibilities. Focusing on market success factors can be deceptive for managers. Indicators measuring market success are relatively simple as well as their changes being seen quickly by stakeholders (e.g. managers, employees, clients, shareholders). On the contrary, positive changes in other business areas (e.g. finance, logistic) are harder to see and, in most instances, it takes much more time to achieve desirable performances. However these second changes are more beneficiary for the organisation. Moreover, it is easier for organisations to concentrate only on one success indicator (e.g. market share) instead of focusing on many complementary ones, which is recommended due to the complexity of the business nowadays. To sum up, if market leadership is a result of excessive concentration on MSF instead of CSF, the existence of an organisation can be threatened due to a possible crisis.

Here one more threat has to be considered – the wrong list of CSF. This threat arises when the analysis is concentrated more on the company than on the sector as whole. As a result, the created list can include factors, which are the strength of the organisation instead of factors that are important to succeed in the sector. Consequently, managers can make wrong strategic decisions and as a result crisis in the organisation can occur. Managers have to carefully make a list of CSF and check created list. One possibility is to check the critical success factors against the industry life cycle – on each phase of the industry life cycle different types of critical success factors are important37.

Critical success factors analysis is a challenging task consisting of a few phases, which are presented in graph 1. However, analysis, due to relative simplicity (e.g. compared to the strategic balance), can be easily conducted by managers and employees, who can be supported by consultants. It has to start with gathering data on the analysed sector. Then people, who undertake the analysis can identify CSF and determine their operation. After that they have to allocate weights to each factor and evaluate organisations. As a result, the strengths and weaknesses of an organisation are identified. The recommendation, at this point, would also be to evaluate

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37 Strategor, op.cit., p. 69.
a sector leader or the nearest competitor (if it is justified, more competitors can be evaluated), because it allows the formulation of a wider analysis and the making of proper strategic decisions. After the phases 2, 3 and 4 findings, verification is needed. If verification is positive, analysts can move to the next phase, if not, they have to go back to phase 1 or 2 depending on the nature of the problem. The evaluation of an organisation and its competitor/competitors allows for the preparation of strategic profiles and recommendations. The analysis of strategic profiles allows the comparison of an organisation’s strengths and weaknesses with a competitor’s strengths and weaknesses or with an ideal organisation (an organisation, which meet all CSF). In practice it is very rare that one encounters the ideal organisation. More often, organisations have different strategic profiles. The analysis of critical success factors indicates areas and problems, which have to be improved. An organisation grows and thrives when critical success factors are met.

Graph 1. Phases of Critical Success Factors Analysis

Table 1. Critical Success Factors in Creative Industries

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<tr>
<th>General Critical Success Factors in Creative Industries</th>
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<tr>
<td>High ability to adopt new technologies</td>
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<td>High ability to attract and maintain talents</td>
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<tr>
<td>High ability to protect and to explore intellectual property</td>
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<td>Great cooperation capabilities</td>
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<td>Diversified funding sources</td>
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<tr>
<td>Effective brand management</td>
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<tr>
<td>Innovative business model</td>
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<td>Successful international expansion</td>
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<tr>
<th>Sector-specific Critical Success Factors in Chosen Sectors in Creative Industries</th>
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<tr>
<td>Advertising agencies</td>
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<tr>
<td>Computer programming activities</td>
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<td>Architectural activities</td>
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<tr>
<td>Photographic activities</td>
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<tr>
<td>Effectiveness in winning auctions</td>
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<tr>
<td>Experience in specific projects</td>
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<tr>
<td>Good reputation</td>
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<tr>
<td>Success of previous campaigns</td>
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<tr>
<td>Wide range of products and services</td>
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<tr>
<td>Experience in specific projects</td>
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<tr>
<td>High ability to engage clients in projects</td>
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<tr>
<td>High familiarity and understanding of clients’ needs</td>
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<tr>
<td>High intuitiveness of solutions</td>
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<tr>
<td>High quality of software</td>
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<tr>
<td>Effectiveness in winning architectural contests</td>
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<tr>
<td>Great number of recommendations</td>
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<tr>
<td>High diversity of projects</td>
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<tr>
<td>Rich portfolio</td>
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<tr>
<td>Convenient localization</td>
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<tr>
<td>High quality of products and services</td>
</tr>
<tr>
<td>Rich portfolio</td>
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<tr>
<td>Wide range of products and services</td>
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Each sector has different critical success factors. This is partly true in creative industries. Due to the characteristics of creative industries, we identify that each sector therein has a sector-specific CSF as well as general critical success factors that hold true for creative industries as a whole. General and sector-specific critical success factors for chosen sectors in creative industries are presented in Table 1. We identify eight general critical success factors and five sector-specific CSF for advertising agencies and computer programming activities and four CSF for architectural and photographic activities. General CSF refers to different business areas: technology, human resources, law, cooperation, finance, marketing, business model and internationalization. Sector-specific critical success factors also refer to different business areas, but the greatest number of factors are MSF. Here, the threat of overestimation market critical factors is not significant, because key factors from different business

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39 Sectors in creative industries were divided into four groups: (1) tangible character of outputs and low technology influence to a creative process; (2) tangible character of outputs and high technology influence to a creative process; (3) intangible character of outputs and low technology influence to a creative process; (4) intangible character of outputs and high technology influence to a creative process. Sectors with the greatest number of organisation therein in each group – advertising agencies, computer programming activities, architectural activities and photographic activities – were chosen for the critical success factors analysis. See P. Dziurski, Kluczowe czynniki sukcesu..., op.cit., pp. 103–108.
areas are included in the general list of CSF. For chosen sectors in creative industries some CSF are recurred (e.g. quality is a critical success factor in the computing programming activities as well as in photographic activities), but some are unique (e.g. localization of the photographic activities and reputation in the advertising agencies). However, each of the analysed sectors have a different combination of sector-specific CSF. It allows us to positively verify the thesis that sectors in creative industries have general as well as sector-specific critical success factors.

Summary

Reflections in the article provide the basis for a positive verification of the thesis that sectors in creative industries have general as well as sector-specific critical success factors. Additionally, we formulate the thesis that organisations in creative industries, due to their nature, are specifically managed. Thus, extended research on management in organization in creative industries is needed. It enables the increase of knowledge about those sectors and the formulation of recommendations for the managers within them.

Thoughts present in the article are mainly theoretical and the lack of empirical studies is the main disadvantage of the article. Nevertheless, present reflections raise knowledge about the management in creative industries and enable the formulation of references for further researches:

– due to the nature of creative industries – mainly art for art’s sake property – success can be understood differently therein than in other sectors; thus empirical studies have to answer the questions how people in creative industries understand success? What are its measurements? If thinking about success in the sector is connected with CSF?\(^{40}\);
– empirically confirm the difference between market success factors and critical success factors;
– identify sector-specific critical success factors (and their empirical verification) for other sectors in creative industries;
– empirical verification of indicated lists of CSF in creative industries;
– study which enables the answering of questions to what extent the critical success factors analysis is used by managers in creative industries; what are the

main advantages and disadvantages perceived by managers? What are the main problems faced by managers regarding CSF analysis?

In the article, principles and instruction for the critical success factor analysis, as a tool of the strategic analysis are presented. Is should help managers to conduct this analysis properly and correctly formulate strategic recommendations. Moreover, additional practical recommendations for managers in creative industries can be formulated. Primarily, managers have to consider general as well as sector-specific critical success factors. Focusing only on general or sector-specific CSF will not allow an organisation to succeed in the creative industries. Focusing on the wrong critical success factors or only on market success factors can cause a crisis and threaten the existence of an organization. Secondly, critical success factors analysis gives managers information about an organisation’s and competitor’s strengths and weaknesses. As a result, managers know what the main problems are and which areas are underdeveloped. Managers have to focus on factors, which allow them to gain competitive advantage. It does not mean concentrating only on weaknesses, but also on strengths.

References


