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Application of the "Resource-Based Theory of the Firm" and its Relevance in the Creative Industries: A Developing Country Perspective

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ABSTRACT

This study, by way of contributing to contemporary understanding of the heterogeneity and immobility arguments of the resource-based view, offers insights into how the resources of creative industries present a nuanced but relevant ground for exploring the theory of the firm. In its discussion, this paper highlights the idiosyncratic characteristics of the creative industry and through the lens of intellectual capital and entrepreneurship, identifies the valuable, rare, inimitable, and non-substitutable (VRIN) resources that underlie the creation of heterogeneous cultural and economically viable creative works by actors in the industry. The paper finally discusses resources that explain the state of the creative industry in developing contexts. In terms of theoretical contribution, this study leads and contributes immensely to understanding how the resource-based theory of the firm could be relevant in unleashing the economic potentials of the creative industry.

Keywords: Resource-based theory, Creative industry, Intellectual capital, Entrepreneurship, Creative advantage, Developing country

INTRODUCTION

The creative industry has become popular and relevant in developing economies largely as a result of its ability to generate innovative outcomes and its welfare consequences (Unceta, Barandiaran and Lakidain, 2021). When the term was carved in the late 1990s by the Department for Culture, Media and Sport (DCMS) in the United Kingdom (Hartley *et al.*, 2013; Prokůpek, 2020), it was borne out of a political desire to promote the 'creativity' of the arts as an important contributor of the wider economy due in part to the decline of the traditional production sectors (Prokůpek, 2020). Despite criticisms of the sector, it's focus on commercialising the cultural sector (initially, Britain's export profile and international branding) (Cunningham, 2002) is what has made the sector critical in today's business and economics discourse. Its resilience has mainly been in mainstreaming the economic value of culture, media and design (Hartley *et al.*, 2013), thus making the industry an important focus in field of strategic management.

However, the economic prowess of the creative industry has merely managed to capture the attention of policy makers and policy researchers who over the years have focused predominantly in how national policies and could support the various sectors of the creative industry in order to make it economically viable (Hartley *et al.*, 2013; Unceta, Barandiaran and Lakidain, 2021). This has contributed to the lack of clarity in the boundaries (Hartley *et al.*, 2013) and idiosyncratic resources of the industry that makes it economically valuable. An in-depth understanding of the stream of resources and the nature of managerial competence required for value creation in the creative industry will be essential for economic classification of the industry.

'RESOURCES' OF THE CREATIVE INDUSTRY AND THE FIRM DEBATE

The foundational definition of the creative industry offers some preliminary insights into the distinctive resources and capabilities of the industry. In the Creative Industries Mapping Document (1998) published by the Creative Industries Taskforce of the DCMS, UK, the creative industries are defined as, "those industries which have their origin in individual creativity, skill and talent which have a potential for job and wealth creation through the generation and exploitation of intellectual property" (DCMS, 1998, p. 3). This definition identifies three main aspects of the creative industry: the inputs (resources) explained in terms of individual creativity, skills and talent of creative actors; the output (value creation) in terms of jobs and wealth creation and the process (capabilities) explained in terms of intellectual property, required to transform the inputs into creative products over which the actors have exclusive rights of valuable ownership. In other words, the DCMS (1998) definition depicts the creative industry as a collection of resources and capabilities through which creative actors could uniquely generate economic value. A broader and more recent definition by the UNCTAD (2010) describes the cultural and creative industry as "the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs; constitute a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property rights; comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives". This definition adds further clarity to the resources, capabilities and value functions of the creative industry. It describes the processes of creation, production and distribution as the capabilities required in turning art-related products drawn from intellectual capital and creativity as primary resources into revenue generating trades. The value of these trades are embedded in exclusive rights of intellectual property and its outcome are creative contents that have economic and marketing properties.

Though the resources of creative industries have been characteristic of their description as 'creative/creation' (Prokůpek, 2020), the capabilities of the internal structures of the industry in generating the expected wealth of actors has received very little attention. This is particularly surprising when the recognition of the arts and culture as a creative industry with economic potentials (Cunningham, 2002) occurred around the time when one of the 'prominent and powerful' theories for understanding how organizations generate sustained wealth (Barney, Ketchen and Wright, 2011) was developed and had generated enormous and exciting debate in the field of strategic management. But given the idiosyncratic characteristics of the creative industry, there is a cogent business and research case for exploring how resources of the industry offers it sustained economic value.

Not many studies have examined the creative industry from the resource-based perspective. This could probably be as a result of the earlier descriptions of the resource-based theory as a "theory of the firm" (Barney, 1996), and further definitions of the 'firm' as one where there exists a dyadic relations in employment contracts between an employer and an employee (Conner, 1991; Conner and Prahalad, 1996). But the very structure of creative industries where there high informality will not qualify for a 'firm' if we are to subject it to Conner and Prahalad (1996)'s definition, thus making it an industry where the resource-based theory may be misplaced to generate insights into firm competitiveness. However, Foss (1996b, 1996a), made profound arguments about the formality and possible informality of firms; an argument about the nature of the 'firm' that indeed has roots in the theoretical proposition offered by seminal work of (Barney, 1991a) on the resource-based view, when he discusses formal and informal planning processes (p. 112–114). Despite these positions and clarifications about the 'firm', there remains a dearth of research knowledge on the creative industry from the resource-based perspective.

The Resource Based View of the Creative Firm

As one of the dominant theories in the field of strategic management, the overall purpose of the resource based theory is to explain how firms achieve sustained competitive advantage (Barney, Ketchen and Wright, 2021). Competitive advantage here is defined as the ability of a firm to implement a value creating strategy that is not simultaneously being implemented by existing or potential competitors (Barney, 1991b). But the focus on outperforming competitors seems to contribute to the exclusive application of the resource-based theory to firms whose traditional function is to offer the same products and services to a set of consumers or customers and whose relevance in the market is dependent on how they are preferred over others in the delivery of some predetermined product or service. This limited applicability of the RBT excludes small, emerging and dynamic firms such as the creative industries, whose resources are not stable as that of large firms (Kraaijenbrink, Spender and Groen, 2010).

Unlike other traditional industries, the pursuit of performance for activities in the creative industries is premised more on their creativity rather than competitiveness. For creative activities, the production of one-off creative products such as music or fine art, that offer experiences which have commercial value is what determines success (Hartley *et al.*, 2013). Thus, the pursuit of creative advantage, in terms of offering original arts with the potential for wealth creation is paramount above the need to outperform competitors. Nonetheless, the pursuit of creative rather than competitive advantage does not nullify the need for the adoption of valuable, rare, inimitable, and non-substitutable resources. In essence, the originality of creative products is founded on the expression of scarce skills, creativity, and talents. For instance, a musician's production of Afrobeats depends on his/her unique ability to combine African highlife music with Western pop-style music and produce rhythms while playing with words in creative ways that are able to attract audience to concerts and to streaming platforms. Same with a fashion designer who out of his/her creativity can combine colours of fabrics and patterns of garments into fashion trends. Such creators gain advantage from their products through application of unique talents and a combination of scarce networks among other resources to generate creative advantage. Hence, it is appropriate to deduce that, unique resources and capabilities in the art and economic space offer artistic workers creative advantage.

The resource-based theories of intellectual capital (Kamaluddin and Rahman, 2013; Radjenovic and Krstic, 2017) and entrepreneurship (Alvarez and Busenitz, 2001) offer some further insights into the resources necessary for creative advantage.

Intellectual Capital and the Creative Firm

Discourse on intellectual capital and how it enhances the competitiveness of firms has been extensively discussed by scholars (Kamaluddin and Rahman, 2013; Radjenovic and Krstic, 2017). This is because intangible assets such as human resources and their knowledge, skill and ability have been identified as essential in promoting and sustaining organizational success (Armstrong, 2009; Kamaluddin and Rahman, 2013). The theory of intellectual capital is premised on the assertion that intangible assets are critical in the operations of a firm because they increase the value of assets or the firm's market value (Radjenovic and Krstic, 2017). It is based on the belief that the human, structural and relational capital of a firm are the vital resources which contribute to firm wealth (Radjenovic and Krstic, 2017). Human capital is described as the foundation of intellectual capital and includes the competence, attitude and intellectual agility present in a firm (Kamaluddin and Rahman, 2013). Structural capital refers to the information system, operation processes, innovation and improvements that enable firm's to reach their full potential while relational capital refers to the relationship capital including networks and feedbacks from stakeholders that underpin their loyalty and satisfaction with the firm (Kamaluddin and Rahman, 2013).

For the creative industries, these three categories of resources are important and constitute the fundamental resources that define their art and commercial value. Human capital in terms of creative ideas, talent and artistic creations are the origins of artistic productivity. Furthermore, structural capital in the form of new technologies such as streaming platforms for the film and music industries have in more recent times emerged as vital processes for the commercialization of artistic works. Through these platforms, creative artistes can derive appreciable returns from their intellectual property.

Besides, the establishment of networks for artistes such as the development of creative cities and music collaborations have been essential in the pursuit of creative advantage for most artistes. This underscores the relevance of the intellectual capital theory in understanding the characteristics of resources that offer superior advantage to creative firms.

Entrepreneurial Resources and the Creative Firm

The resource-based theory of entrepreneurship holds that founders' access to resources determines opportunity based entrepreneurship and the establishment of a new venture (Alvarez and Busenitz, 2001). It stresses that the access to financial, social and human resources enhances the ability of an individual to detect and act upon discovered opportunities (Simpeh, 2011). This theory suggests that access to financial capital enables people to exploit opportunities and establish a new venture (Simpeh, 2011). While social capital in the form of networks are identified as important resources for converting opportunities into ventures, human capital in the form of education and experience are also noted to be critical resources in exploiting such opportunities (Simpeh, 2011). Similarly, a creative entrepreneur capitalizes on the availability of finances, social networks, and human capital in the form of creative ideas to exploit opportunities in the creative industry. Thus, entrepreneurial resources provide an in-depth understanding of what it takes for creative productivity and success.

Exploring the creative industry in developing countries such as Ghana through the lens of the resource-based theories of intellectual capital and entrepreneurship theories thus provides some background to the state of the resource architecture that shapes the industry in the developing context.

CREATIVE INDUSTRIES IN A DEVELOPING CONTEXT

Aside the euphemistic description and classification complexities of the creative industry in developing countries, as comprehensively discussed by De Beukelaer, (2014), the industry in jurisdictions such as Ghana (to avoid the classification confusion) has in recent times become a key economic sector for discussion by both academics and policy makers. This is mainly because the vast evidence that the creative arts industry has great potential of providing decent jobs, increasing foreign exchange through exports, providing incomes for individuals and families and thereby enhancing their well-being and generally reducing poverty (Oakley & O'Brien, 2016; Özdemir, 2009; UNCTAD, 2018), is gaining attention in these contexts. This is largely as a result of how dependence on the traditional industries such as the manufacturing or service industries have become unsustainable for many economies. This deficiency has created a unique case for most economies to commence looking within, thus resorting to creative industries as a major economic redevelopment tool (Bianchini & Parkinson, 1993). Indeed, the increasing prominence of creative industries is deeply embedded in the economic fortunes countries around the world have realized from the industry and thus in Africa has become popular as a 'policy guiding discourse'. The challenge however with the poor development of the industry (De Beukelaer, 2014) rests with the lack of clarity about the creative industry in terms of what they do and should look like due to the several cultural practices and policies on the industry especially in most African countries (De Beukelaer, 2016). By way of contribution, this paper seeks to add to the understanding of the creative industry in developing contexts through the lens of the dimensions of intellectual capital and entrepreneurial resources of the resource-based theory.

As discussed above, resources in the form of human capital, structural capital, relational capital and financial resources as espoused in intellectual capital and entrepreneurship theories provide some understanding of the resources that are important for the enhanced commercial value of creative works, and thus provide some explanation for the state of the creative industry in developing economies.

Human capital: In most developing countries, there remains abundance of creative ideas that are untapped and unexploited. In sectors such as the music industry, film industry, fashion and fine arts, creative works from many African countries over the years have proven that there remains high creativity on the continent (Roxburgh et al., 2010; De Beukelaer, 2014). For instance, African dance and Afrobeats music have in recent years become major attractions globally (Hancox, 2012; Doe, 2015; The Guardian, 2020; Danquah, 2021) with artistes such Burna Boy winning Grammy Awards with typical Afrobeats music.

Structural Capital: A major challenge to the creative industry in developing economies is the lack of reliable information technology and its related platforms and systems that enhance the commercialization of creative works. As discussed earlier, the availability of innovation and improvement processes is that resource that enables raw creative ideas and abilities to reach its full economic potential (Kamaluddin and Rahman, 2013). However, most developing countries in Africa lack the technological infrastructure that could promote their creative works. For instance, whiles the music streaming is contributing about US$20 billion in revenue globally (Hesmondhalgh, 2020), with subscriptions hitting 523.9million by the second quarter of 2021 (Leclair, 2022), Africa remains largely in its nascent stages with total subscriptions less than 10 percent of the global music streaming subscriptions (WT Research, 2020). It is thus not surprising that it was reported developing countries were making just 37.25 percent of global exports in creative goods as at 2010 (De Beukelaer, 2014).

Relational Capital: The need for productive network for the creative industry is essential and remains yet another challenge for most creative workers in developing countries. The lack of exposure of creative products to the global market as witnessed to be less than a third of global creative exports (De Beukelaer, 2014) remains a major challenge for workers in the industry in the developing world. Though there have been signs of collaborations among creative artistes, for instance in the music and film industries, such collaborations have often been exploitative than cooperative (Belfiore, 2018), resulting in power asymmetries that do not favour or fully reward the creativity of artistes from the Global South.

Financial Resources: The lack of financial resources remains a major challenge for the creative industry in most developing economies. These activities are often considered as informal and thus do not have the fiscal characteristics that often qualify them for bank loan facilities. Besides, the increased policy attention for the creative industry has not been complemented with sufficient state support, thus making the breakthrough for most creative workers into the head of the 'long-tail', as in the music industry for example, difficult. In addition, there is relatively little government investment in facilities that could enhance the creative production as compared to other sectors of the economy.

CONCLUSION

The resource-based theories of intellectual capital and entrepreneurship provide some understanding of the unique resources and capabilities that are required for creative advantage. Nevertheless, the absence of governmental support, social networking opportunities and poor technological infrastructure and patronage appears to dowse the economic potentials of the creative industry in developing economies. As the search for value in this precarious industry surges, it is important for actors in the creative space to focus attention on how such resources could be exploited to realize the optimum economic potential of the industry.

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