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Growth strategies in Creative Industries

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Keywords: Creative industries, Growth strategies, Growth, R&D, Sales and Marketing

Abstract

In recent years there has been increased emphasis, in both academic and political arenas, on the economic importance of the Creative Industries (CIs). As a result, policymakers are increasingly looking to the CIs as a source of potential growth. The literature on CIs suggests that these industries are predominantly content based rather than market based, with artistic priorities taking precedence over business concerns. This research examines growth strategies in the CIs using qualitative and quantitative methods. An in-depth case study of 23 firms in CIs suggests that these firms tend to view growth as a secondary goal compared to the goal of creative output. The case study further yields the proposition that firms in the CIs can benefit from adopting what we refer to as an *accordion growth strategy*, in which firms grow and shrink to accommodate artistic content as well as in response to external forces. Statistical analysis of survey data confirms that firms in the CIs are less likely to have ambitions to grow and more likely to adopt an accordion growth strategy than firms in technology industries. These findings suggest that the policy emphasis on growth in the CIs might be misguided and should allow for alternating periods of growth and shrinkage.

Introduction

In recent years there has been increased emphasis—both in academic and political realms—on Creative Industries (CIs) (Caves, 2000; UNESCO, 2009, Lhermitte, Perrin, and Blanc, 2015). There is a general consensus that the CIs are economically important (Moultrie and Young, 2009; HKU, 2010; United Nations, 2010), employing up to 7% of the workforce (Cunningham, 2010). As a result, policymakers look to the CIs as an important potential source for economic growth (European Commission, 2010; Fleming, 2007). The concept of CIs was first used in Australia in 1994 (Potts and Cunningham, 2008) followed by the UK government (Garnham, 2005). In both cases the aim was to move the prevailing emphasis away from public funding of the arts and towards the economic importance of the arts. Emphasis on both economic growth and firm growth is prominent in discussions and policies about CIs. As stated in the Nordic green papers, “At a policy level, there are very few countries in the world where the Creative industries is not being pursued as an opportunity for economic growth, social cohesion, or advancing civil society” (Fleming, 2007, p21). The goal of this research is to develop a better understanding of intents and attitudes towards growth in the CIs, and how this might translate into growth strategies.

This article reports on two studies undertaken to examine growth strategies in the CIs, defined by Caves (2000) as “industries supplying goods and services that we broadly associate with cultural, artistic or simply entertainment values” (p.1). The first is an in-depth case study of 23 CI firms, which examines attitudes towards growth and growth strategies. The second compares attitudes to growth between firms in CIs and technology-based firms and thus lends validity to the case study findings.

This research makes a number of important contributions. First, we shed new light on attitudes and intents regarding firm growth in the CIs, exposing a prevalent reluctance to work towards growth when this might detract from creative pursuits. Second, we identify what we refer to as an *accordion growth strategy*, in which firms are allowed to grow and shrink as needed—whether in response to external conditions or the (dis)appearance of opportunities for artistic production. Third, by conducting two separate empirical studies—a qualitative study followed by a quantitative survey-based study—we lend additional credence to our conclusions. Finally, based on the success stories noted in some of the case studies we offer the suggestion that firms outside the CIs might

consider an accordion growth strategy to improve their resilience against fluctuating conditions.

Theoretical background

Growth strategies

Firm growth has been defined and measured in many ways, including growth in turnover and number of employees. A key agenda of growth studies has been to identify characteristics of high growth firms so that they might be replicated. However, these characteristics remain elusive and researchers have even claimed that growth paths are random (Coad, et al., 2016), meaning that some firms grow, others do not, and those that do grow, do so at different speeds (Coad et al. (2014). Attempts have been made to distinguish among different growth patterns (Delmar, Davidsson, and Gartner, 2003) and growth has been attributed to factors such as the environment (e.g. Cucculelli and Ermini, 2012) and founder characteristics (e.g. Barringer et al., 2005).

Churchill and Lewis (1983) argue that growth is generally deliberate so that firms can decide to grow, decide to shrink or decide to remain a given size. Dutta and Thornhill (2008; 2014) take this a step further and emphasize growth intent, which they propose is influenced by environmental conditions mediated by cognitive style.

Research on growth shows that despite policy interest, realization can be complicated. Autio and Rannikko's (2016) research on growth programs finds that firms that self-select into such a program show greater growth. This highlights that a firm's stance about the desirability of growth—or its growth strategy—might be important from the policy perspective and suggests that intent might be a pre-requisite for growth. In the next chapter we examine the characteristics of the CIs that might influence growth strategies of firms in these industries.

Characteristics of the CIs

Two key characteristics of the CIs are germane to this research. First, they are predominantly project based. In practical terms this means that people and firms tend to take on specific projects rather than being hired for long-term employment or contracts (Vinodrai and Keddy, 2015). Furthermore, the supply of people who want to work in the CIs tends to exceed demand (Lingo and Teppe, 2013). Storey, Salaman and Platman (2005) argue that the imbalance in supply and demand has led to a labour market in

which firms increasingly hire artists on a project basis instead of hiring them as employees, thus minimizing long-term commitments and attendant costs (Defillipi, 2015). In addition, firms in the CIs are often very small or micro firms with narrow specialisations, which seek external resources through strategic alliances (Gundolf, Jaouen and Gast, 2018). This means that businesses in the CIs can be very flexible, which in turn might explain De Propris' (2013) findings that after the 2008 financial crisis, firms in the CIs in the UK recovered faster than others. In a similar vein, Martin-Rios and Parga-Dans (2016) argue that the non-technological innovation practiced in CIs can help firms cope with market down-turns.

The second key characteristic of the CIs is that business models in these sectors tend to revolve around artistic content, often creating a conflict between business concerns and artistic concerns (Sigurdardottir, et al., 2018). The over-emphasis on artistic content is a symptom of what is believed to be a prevailing tension between artistic value and business value, which characterizes firms in the CIs (Defillipi, 2015).

The concept of *art for art's sake* is prevalent in the CIs as evidenced by the derogatory label of *selling out*, applied when artistic production is no longer based on the intrinsic value of creation (Abbing, 2002; Frey and Jegen, 2001; Menger, 1999) but aimed at a larger market. Meanwhile artists creating for art's sake seek validation from other like-minded artists and critics. This means that the market for art is composed of a very limited group with specific tastes, often very different from that of the general public (Cowen and Tabarrok, 2000) and demand is unstable (Hirsch, 1972). Rather than viewing these characteristics as challenges, Verganti (2009) proposes that firms in the CIs tend to aspire to break with industry norms and introduce products that take the market by surprise, rather than focusing on customers and their expressed needs. Thus, there seems to be a built in anti-business aspect to artistic production (Caves, 2000; Fillis, 2006; Hirschman, 1983; UNESCO, 2009) and indeed, sales growth might signal that an artist has sold out and the art has become mainstream.

Studies of cultural and creative entrepreneurship confirm the conflict between art and business (HKU, 2010). Eikhof and Haunschild (2006) coined the term *bohemian entrepreneur* to explain how artists bridge the gap, and in the music industry, Albinsson (2016) finds that musicians identify as entrepreneurs, but primarily out of necessity. The question is, how this attitude influences firms in the CIs, in particular their attitudes towards growth. Based on the characteristics of the CIs, we posit that the emphasis on

artistic production for its own sake—rather than for sales—potentially combined with the large supply of people wanting to work in the CIs creates the impetus for a flexible attitude towards growth. Along these lines, we suggest that companies in the CIs might not have a linear attitude towards growth reflected, e.g., in R&D investment or sales and marketing efforts, but rather be open to growing and shrinking in turn, like an accordion. We refer to this as an *accordion growth strategy*.

Study 1

Methodology

The aim of this research is to gain a better understanding of intents and attitudes towards growth in the CIs, and how this might translate into growth strategies. Rich examples (Weick, 2007) can help create a better understanding of a given situation, and therefore we start by using case studies (Eisenhardt, 2007) and grounded theory (Glasner and Strauss, 1967; Strauss and Corbin, 1990).

Case firms were selected to represent the broad range of organizations within the CIs taking into account sub-groups (e.g. film, music, etc.), size and age. Case selection was iterative, that is cases were added until saturation was reached, i.e. the insights gained from the most recent case interviews had already been gained from earlier cases (Merriam, 2009). By selecting a broad range of cases the findings are more likely to reflect realities that the CIs have in common rather than realities specific to particular sub-groups. All interviewees were promised anonymity to ensure a secure environment for them to speak freely. Table 1 provides information about the case firms.

Table 1: Northern European case firms studied. Size refers to number of employees during the period of data collection and age refers to the number of years since founding. Both numbers are expressed as ranges to reflect the fluid nature of growth and progress during the period of data collection.

Case	Industry	Size	Age	Description
1	Book publishing	More than 50	More than 10 years	A book publisher with a long history of publishing literary works as well as general interest books.
2	Publishing	1-10	More than 10 years	Publishing firm specialised in business and travel related journals and books.
3	Computer game development	More than 50	More than 10 years	Computer game developer specialising in multiplayer games.

Case	Industry	Size	Age	Description
4	Computer game development	10-50	Less than 3 years	Computer game developer specialising in mobile games.
5	Film making	More than 50	More than 10 years	Film production firm with a long history of projects such as advertising, production of TV shows, support roles in large international film projects, as well as own production.
6	Film making	More than 50	More than 10 years	Film producer with a long history specialising in TV shows.
7	Film making	10-50	3-10 years	Film producer specialising in animation.
8	Music	1-10	3-10 years	Music production firm run around a recording studio taking on multiple roles such as management, recording and marketing of artists.
9	Music	1-10	More than 10 years	Music retailer and label working with musicians ranging from classical music to indie pop.
10	Performing arts	1-10	3-10 years	Theatre company working on various contemporary projects.
11	Performing arts	1-10	More than 10 years	Theatre company with projects ranging from musicals to contemporary theatre, although in recent years primarily focusing on products for children, both in TV and theatre.
12	Performing arts	10-50	More than 10 years	Theatre with a long history of producing children's plays.
13	Fine art and illustration	1-10	More than 10 years	Fine artist, with a history of organizing large group projects.
14	Fine art and illustration	1-10	3-10 years	Illustration firm, specialising in life illustrations.
15	Fine art and illustration	1-10	3-10 years	Illustrator and a small publisher of comics, books, magazines and TV.
16	Fashion design	1-10	3-10 years	Design firm specialising in design products distributed internationally with an emphasis on heritage.
17	Fashion design	1-10	3-10 years	Fashion retailer and designer. The design aspect of the firm was built slowly based on high end fashion retail experience.
18	Houseware design	1-10	Less than 3 years	Firm specialised in houseware design started out of necessity when the founders found themselves without work.
19	Specialised design	1-10	3-10 years	Retailer and accessory designer.

Case	Industry	Size	Age	Description
20	Architecture	1-10	More than 10 years	Architecture studio that takes on small to mid-sized projects for individuals and municipalities.
21	Architecture	10-50	More than 10 years	Architecture studio with a long history.
22	Advertising	10-50	More than 10 years	Advertising firm with a long history.
23	Advertising	10-50	More than 10 years	Advertising firm formed through a merger of two firms with long histories.

The interviews with managers (often founders) of the case firms focused on the firms and their business environments. Interviews averaged just over an hour in length and were recorded, transcribed and thematically analysed in line with grounded theory (Strauss and Corbin, 1990). All the coding was performed by one of the authors to ensure consistency in coding. In the next step, the authors collaboratively reviewed the codes and identified two general themes, *attitude* and *actions*. The themes were then analysed in line with axial coding (Strauss and Corbin, 1990) taking environmental factors into account.

Findings

The two themes that emerged from the interviews were an emphasis on artistic content and on independence. The two are closely related in that the independence centred around creative independence.

Art for art's sake

The interviewees tended to emphasise projects/content valued for their artistic contribution rather than earning potential. *"We make a decision to lose money on some publications every year"* (case 1). Some of the interviewees even stated that if money was of paramount importance they would be doing something different. This is in line with the art for art's sake stance and was expected in the CIs where creative content is at the core of the business. The artistic content of the business was emphasised as artistically and socially important and interviewees even saw it as their duty to get the artistic content to the market despite its limited financial potential. The claim could even be made that the very existence of a firm, and its profitability, was to create the basis to produce art *"We could not produce [name of product] and prototypes except because there are other things that sell"* (case 18).

Financial independence

Emphasis on artistic content was expected in the CI firms studied. Less expected, but in some ways stronger, was a negative attitude towards other people's money, meaning money that comes into the business through external funding, such as loans and direct investments. It seemed to be a matter of pride not to be dependent upon, or lose, other-people's money. Many of the interviewees proudly claimed that they had not needed to finance their business with loans, except overdraft allowances to cover cash flow gaps. *"Of course, we have needed some allowance from the bank, but no loans... for example to invest or anything like that. That would just have been senseless..."* (case 23). This was sometimes expressed with strong statements such as, *"we sleep well knowing that we don't owe anyone anything"* (case 8). And justified with honesty *"we could have gone bankrupt rather than paying our debt. So, we were at least honest in our [expansion]. We lost a lot of money but no one else lost anything"* (case 9).

This emphasis on not being dependent on investments or loans seemed to be linked to control over the artistic content. This was in general believed to be an asset, while a perceived lack of financial knowledge was also accepted as a weakness. But feelings about getting more business knowledge into the firms were mixed. As a designer explained this would depend on the atmosphere and the people:

"I think that if we were to work with an investor, it would have to be someone we had a good relationship with, someone who had time and patience, someone idealistic. Not someone waiting for money. Working with someone looking for a short-term profit would not work for us" (case 16).

It is clear that for this firm to accept outside investment, the personal values of the investor would have to align with the personal value of the designers owning the firm, and that at the core of financial independence is the artistic independence.

Artistic independence

The emphasis on artistic independence shines through in relation to the issue of growth.

"This 21st century thinking that everything must grow, otherwise you are nearing the end. In book publishing, in my mind, it does not matter how much my turnover is. If I can pay salaries and publish books and do what I want to do, I don't care." (case 1).

The interviews revealed that the respondents knew that their emphasis on content and artistic value might be hindering their business success and growth. One respondent

mused that perhaps if they had had a financially thinking person in the firm, they might have been able to grow to the size of “*the biggest [music] firm in the country*” (case 9). In hindsight, he acknowledged that their business mistakes had all been financial mistakes rather than artistic mistakes. But even the lost opportunity to grow was framed in a positive light as he indicated that even if they had had financial problems, and subsequently downsized, they had not lost artistic control.

Smaller firms were sometimes criticized for not working on a larger scale or with more specialization. A group of designers re-enacted a conversation they had about their production “*really – you are just...you know producing nationally!*” (case 16) with a tone to emphasize that this was not considered the most intelligent or rational way to operate. Yet their re-enactment strongly indicated that their own beliefs did not align with the criticism. They did not strive to increase their production beyond the domestic market for the sake of growing larger.

Attitudes towards growth

Although the interviews in general reflected some aversion towards growth, only five of the 23 cases were directly negative towards growth, and three of these based this position on artistic concerns (cases 12, 14 and 20). Meanwhile, the manager of a film production firm preferred to run the firm based on projects with limited overhead (case 5) and a large book publisher felt that content was more important than size and demands for growth unrealistic (case 1). Most of the case firms emphasised growth based on artistic content rather than market demand. A respondent from a film production firm (case 6) even stated the belief that growth should be content based, rather than market based to ensure control, independent of the economic situation. The only case firms positive towards a traditional view of growth based on market emphasis were the two computer game developers, but there was a difference in the degree to which they were driven by the market; the larger one leaning more towards the market than content.

Of course, there is a great deal of variability among firms in the CIs. The scalability of their operations varies substantially from the very limited scalability of fine artists’ businesses to the more extensive scalability of computer game developers. Attitudes towards growth did in some way reflect this difference with those in the scalable industries expressing more interest in growth. The emphasis on growth was, however, not very strong even in the scalable companies. This was noted also in those firms that had a history of scaling down when needed.

Many of the interviewees added luck as a subtext to their stories, claiming to have been lucky with customers or lucky with projects. From this perspective, growth is not intentional but spontaneous. A computer game developer who had gone through two cycles of growth (with an intermission of shrinkage) said about growth, *“if it happens, it’s awesome and great, but winning like this twice, in this roulette, is almost statistically impossible”* (case 3).

Even firms with a positive attitude towards growth had experienced what they described as *“senseless growth”* (case 23). This had sometimes led to situations where the firms had to scale down again and get rid of what they felt were unnecessary *“frills”* (case 21). The financial crisis of 2008 had even been viewed as an opportunity to reverse the senseless growth and to again gain better control over the content. *“The thing is, if people are smart enough to clean out... it is good to have to financial crisis as an excuse, you know it helps in a way”* (case 23).

Furthermore, it seemed that the case firms in general did not tend to think about growth as something that should necessarily be permanent. In one case an entrepreneur asked for a two-year unpaid leave from his job in media as he never expected his new firm, which he had until then run as a side job using workers hired for specific projects, to last for longer than that. He stated, *“you never know when the phone will stop ringing”* (case 8). Meanwhile, there was no indication of actions or investments in sales and marketing to ensure that the phone would in fact continue to ring.

The findings of the case research suggest that firms in the CIs are unlikely to have clearly defined growth strategies, or even growth intent, but rather have a strong content orientation. However, the noted emphasis on content does not appear to translate into R&D in the traditional sense, and furthermore, efforts in sales and marketing seem to be relegated to the margins.

What we observed is that these firms are likely to experience alternating periods of growing and shrinking as interest in their content waxes and wanes. Also observed was a prevailing lack of planning, resulting in firms drifting towards projects that might pay off financially in the short term, but at the same time might take them further away from their core values. This means that when the opportunity arises, either because of new projects or external factors such as economic plenty, firms in the CIs are likely to either

shrink down to core projects or grow by investing in pet projects, which might not pay off financially, in line with uncertain market demands.

Study 2

The purpose of the second study was to seek quantitative corroboration of the findings of the case study about attitudes to growth. Study 1 paints a picture of things as they are in the CIs, but by comparing firm in the CIs with firms in other industries we gain a firmer footing on which to base conclusions.

Methodology

Quantitative survey-based data were collected from a large sample of managers of European firms. The population of potential survey participants was selected using data from public records in Europe. Every n th firm in the public records was selected for contact, where n was the total number of firms on the list divided by the target sample size divided by 10, which represents the expected worst-case response rate. The actual response rate was 16%, which is considered good for an Internet-based survey. The sample included 198 firms in the CIs and 641 firms in other industries. Thus, the sample was unbalanced in terms of comparing CI firms with others. Since the focal issue of the quantitative study is differences between businesses in the CIs and other industries, the issue of what industries to use for comparison needed to be addressed. In line with the commonly accepted notion that, all other things being equal, technology-based firms are more innovation-active than businesses in other industries, firms in technology industries were selected for comparison with firms in the CIs. These included engineering, software development, telecommunications, pharmaceuticals, and various technology-based services. The responses from firms in technology industries can thus be said to have been used as a comparison group (Bettis et al., 2014). There were 462 firms in technology industries in the sample. To obtain a comparison sample of technology firms of similar size to the sample of CI firms, a random selection of half of the technology firms was included in the sample. This was obtained by sorting the responses in the order completed and including every other response.

To check for non-response bias, we compared the means of the focal variables between the 20% of responses completed earliest and the 20% completed latest. No statistically significant differences were observed.

Respondents were asked to express their disagreement or agreement, on a scale from 1 to 5, with the following statements, which reflect the focal issues identified in the case study: “Our goal is for the firm to grow” and “We allow the firm to grow and shrink as needed”.

Basic information about the firms, such as firm size and firm age, was collected.

Respondents were also asked what percentage of their yearly turnover had been spent on R&D in the previous calendar year. Similarly, they were asked what percentage of their yearly turnover had been spent on sales and marketing in the previous calendar year.

Findings

Table 2 displays summary statistics and pairwise correlations between variables for firms in the CIs and firms in technology industries, respectively. We see that the mean growth intent is larger in technology firms than in firms in the CIs, while the opposite is true for a willingness to allow the firm to grow and shrink as needed (labelled *accordion growth* in Table 2). We also see that the means for both investments in R&D and in sales and marketing (labelled *S&M* in Table 2) are higher for technology firms than firms in the CIs, which is consistent with the case study findings. The mean size of the creative industry firms is 14.44 employees, which is substantially smaller than the 29.93 mean size of the technology firms. This may reflect a general characteristic of CI firms—that they tend to be small and resonates with the sizes of the case firms included in Study 1. We also see that the mean firm age of the CI firms is 21.62 years and 16.19 years for the technology firms. Looking at the correlations in Table 2, we see that larger firms in the CIs have higher investments in R&D than smaller firms, while older firms in the CIs invest less in R&D than younger firms. Thus, we can surmise that larger and younger firms in the CIs are more likely to pursue more mainstream paths of innovation than smaller and older firms. We note a similar, but not as marked, set of relationships for investments in sales and marketing.

Table 2: Summary statistics and pairwise correlations.

Firms in creative industries (CIs)							
	Mean	Std.dev.	1	2	3	4	5
1 growth intent	3.48	0.87					
2 accordion growth	3.80	0.75	-0.11				
3 investment in R&D	0.08	0.15	0.15				
4 investment in S&M	0.07	0.11	0.12	-0.31	0.34		
5 firm size	14.44	39.39	-0.01	-0.07	0.15	0.08	
6 firm age	21.62	23.85	-0.30	0.07	-0.12	-0.08	0.49
Firms in technology industries							
	Mean	Std.dev.	1	2	3	4	5
1 growth intent	4.00	0.94					
2 accordion growth	3.32	1.04	-0.26				
3 investment in R&D	0.19	0.24	0.05				
4 investment in S&M	0.11	0.14	0.13	0.06	0.07		
5 firm size	29.93	64.53	0.12	-0.13	-0.10	0.04	
6 firm age	16.19	15.19	0.09	-0.13	-0.09	-0.14	0.36

The means of the focal variables were compared using ANOVA and effect sizes examined. All analyses were conducted using Stata version 14.2.

The results of ANOVA testing are shown in Table 3. We see that the difference between the two groups of firms is statistically significant at the $p < 0.05$ level for all four variables. Thus, growth intent is higher in technology firms than in firms in the CIs. With an η^2 value of 0.07 and a Cohen's d of 0.56, the size of the effect is classed as medium (Cohen, 1988). For acceptance of allowing the firm to grow and shrink as needed (labelled *accordion growth* in Table 3), we see that the mean is lower for technology firms than CI firms at a statistically significant level. With an η^2 value of 0.04 the effect is classified as small, but the Cohen's d of 0.52 indicates a medium effect.

The difference in R&D investment between the two groups is statistically significant and the η^2 (0.13) and Cohen's d (0.54) values indicate a medium effect. The difference in investment in sales and marketing (S&M) is also statistically significant. Here the η^2 (0.09) value indicates a medium effect, whereas the Cohen's d (0.28) indicates a small effect.

Table 4: Results of Anova testing.

	Partial sum of squares	F	p	η^2	Cohen's d	Effect size group
growth intent	5.35	6.92	0.00	0.07	0.56	medium/medium
accordion growth	2.81	3.63	0.01	0.04	-0.52	small/medium
investment in R&D	9.95	1.61	0.02	0.13	0.54	medium/medium
investment in S&M	6.95	1.56	0.05	0.09	0.28	medium/small
Model	35.69	2.93	0.00	0.34		

Discussion

Artistic intent or growth intent

As outlined in the theoretical background, there are a number of characteristics of firms in the CIs that might influence their attitude towards growth. The case study (Study 1) confirmed these characteristics in the firms studied. The emphasis on artistic content was clear (Defillipi, 2015) and the emphasis on financial independence further strengthened the impression that the artistic content lies at the core of the business in the case firms. There was a prevalent negative or ambiguous attitude towards growth, which was in many cases perceived as a product of luck. Based on the interviews, there are strong indications that uncertainty in demand in the CIs (Caves, 2000, Hirsch, 1972) influences the opportunities the companies believe they have for growth. Meanwhile, the findings indicate that although the competitive environment does exert a clear influence, the prevailing focus on artistic production over growth, is a stronger force contributing to the tendency of CI firms to grow and shrink as needed, accordion style.

The findings of the quantitative study (Study 2) confirm that firms in the CIs are in general less inclined to intend to grow than firms in technology industries. The CI firms' emphasis on content is unlike the emphasis on R&D in technology firms and investment in sales and marketing to support growth does not seem to be part of the strategy for firms in CI. We thus conclude that companies in the CIs either do not intend to grow or if they do, do not seem to view growth as a persistent strategy.

Accordion growth strategy

The data suggest that the *accordion growth strategy* seems to fit the ideologies of businesses in the CIs. However, the question about whether this strategy is unique to the CIs remains to be answered. Although our data indicate that this strategy is less likely in technology-based firms than firms in the CIs, there are some indications that the same

thinking might also be prevalent in high technology start-ups run by professionals with passion for the profession, and in which any profit is directly recycled into R&D and money saved up for pet projects. Conversely, the feasibility of running a business based on an accordion growth strategy might be based on the financial infrastructure of the firm. Businesses that require high initial investments to start up, rely on long-term projects, or are positioned in markets with high entry barriers might be less inclined to let growth just happen, and are more likely to start out with clear plans for growth. Indeed, the accordion growth strategy might be viewed as a luxury available only to those firms that are truly not dependent on other people's money, as direct investment from outside the firm most often comes with a clear expectation about returns on investment. This in turn requires growth, or at least a clear idea about where future earnings will come from.

We must also acknowledge, that the relatively flexible *accordion growth strategy* observed in the case firms might at least partially be made possible based on the project-based nature of the CIs. Meanwhile, an accordion growth strategy may not be feasible in all industries.

The understanding that periods of alternating growth and shrinkage are to be expected in the CIs might well provide a level of inherent protection from economic turmoil while at the same time allowing for freedom in creative production. Thus, we offer an alternative explanation to the seemingly random growth paths observed in existing research (Coad, et al., 2016) by taking growth intent into account (Dutta and Thornhill, 2008;2014), which might influence growth patterns. We suggest that the flexible attitude towards growth embodied in the accordion growth strategy might act as a functional bridge between the artistic and business aspects of firms in the CIs.

Should all businesses grow?

Taking the findings of this research into account, it may not be fair to hold all businesses to the same expectations about growth. Rather, the industry in which a business is positioned should be taken into account. There will always be firms that show steady growth, even high growth, but at the same time firms that grow and shrink accordion-style, depending on the economy, projects and the passions of their founders, may also be successful in the long term. These firms, due to their flexibility, may be better equipped to survive harsh economic times and adjust to new environments e.g. technologically. In a vulnerable high growth economy, a certain number of accordion growth businesses might constitute exactly the right undergrowth for other businesses by

creating a balance between work that is clearly for profit, and financially less viable yet, in the artist's opinion, artistically and societally important.

The conditions that make it possible for businesses in the CIs to operate using an accordion growth strategy include the project-based nature of work in the CIs and a strong tradition for temporary freelance work. This means that firms in the CIs are not constrained by long-term employment contracts to the same extent as firms in more traditional industries. This is driven in part by the over-supply of persons who want to work in the CIs and by their preference to choose the projects they work on based on their own personal values. This might be over-idealistic and the question remains whether artists are really moving from one firm to another based on their preferences regarding projects to work on, or simply out of need. But the idea that this is possible remains and it might even be claimed that the accordion growth strategy acts as a sorting mechanism for the CIs, sorting the truly talented from the merely talented and sorting the truly persistent from those with weaker commitments. As outlined in the introduction, policy-makers have looked to the CI as potential sources of economic growth. In light of the tendency for erratic patterns of growth and shrinkage in firms in the CIs, there might be a gap between policy and reality that needs to be acknowledged and addressed appropriately. The accordion growth strategy can offer a sustainable strategy for firms facing a changing economic and technical landscape. Yet at the same time it is only plausible with a very flexible labour market, which admittedly might leave employees in a somewhat weak position in which they can be exploited. In this light, economic policy relating to the CIs should perhaps focus more on the labour market than on growth.

Although the research findings indicate that firms in the CIs are particularly well placed to adopt an accordion growth strategy, this strategy might also be useful for firms in other industries. Generalizing from the observed characteristics of firms in the CIs we propose that this might be particularly relevant for project-based firms, firms with ready access to large pools of potential human resources, firms that require low initial investments for entry, and firms that are run by passionate specialists. Further research is needed to better understand how this strategy might be beneficial (or damaging) at the firm as well as the industry level.

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