12 Issues in the internationalisation of cultural and creative entities – resource based approach

Introduction

Globalization and simultaneously occurring integration processes had a huge impact on the present shape of the national and world economy and the activities of sectors and entities. The consequence of these phenomena is internationalization, which is the integration of countries and activities of the entities executing international investments, as a result, leading to the increase of similarities between the markets. Whereas, on the level of individual businesses, it is the process of entering to the transnational market.² Despite the fact that globalization and internationalization becomes common, only 35% of polish entities of cultural and creative industries (CCI) declare to have audiences on the international market.3

The precise defining of the cultural and creative industries (SKK) is so difficult that it is especially differentiated part of the economy. The most frequently quoted in the literature, but also general definition, is the term defined by the British institution DCMS (Department of Media, Culture and Sport), according to which they are "areas of business in which individual creativity is characteristic of the product which is the result of creativity".4 Other definitions also take account of the economic dimension of the sector, claiming that it has the "potential to create wealth and employment by producing and exploitation of intellectual

¹ R. Winkler, Bariery internacjonalizacji organizacji, "Zeszyty Naukowe Akademii Ekonomicznej w Krakowie" 2007, No. 747, p. 75.

² *Ibidem*, p. 76.

³ B. Krapiński, Aktywność międzynarodowa, in: Kreatywny łańcuch – powiązania sektora kultury i kreatywnego w Polsce, ed. S. Szultka, Instytut Badań nad Gospodarka Rynkowa, Gdańsk 2014, p. 94.

⁴ R. Kasprzak, *Przemysły kreatywne w Polsce: uwarunkowania i perspektywy*, Kamon Consulting, Warszawa 2013, p. 36.

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property rights".⁵ To cultural and creative industries belong 1) visual arts (crafts, painting, sculpture and photography); 2) performing arts (theater, circus art, festivals); 3) national heritage (libraries, museums, archives, and historical places); 4) media (film, radio, television); 5) music (the market of music publishers and music performances); 6) market of books and magazines; 7) design (fashion, interior design or product design); 8) architecture; 9) advertising.⁶

The purpose of this paper is to present the entities of the cultural and creative industries in the context of internal barriers to the internationalization process. The subject of analysis are tangible and intangible resources of CCI entities and their use in purpose of expanding into international markets. This article is divided into two parts. The first part is based on the analysis of literature and concerns the theory of organizations' resources with particular emphasis on their application in the process of internationalization. The second is the analysis of the cultural and creative industries' resources based on existing research in the field of cultural and creative entrepreneurship, mainly on a national scale. The second part is divided into two segments: the tangible resources and intangible resources.

1. The organizations' resources as determinants of internationalization

Each development of the company, which is also the expansion on the international market, requires the use of appropriate tangible and intangible resources. The organization's resources are significant as a strategic potential. In some cases internal deficiencies may cause inability to confront the circumstances of the organization's environment. As a entities' resources are considered the financial, physical, human and organizational capital (Figure 1).

⁵ M. Ratalewska, *Uwarunkowania rozwoju sektorów kreatywnych*, "Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu" 2015, No. 401, p. 422.

⁶ KEA, The Economy of Culture in Europe. Raport KEA European Affairs dla Komisji Europejskiej, 2006, p. 3.

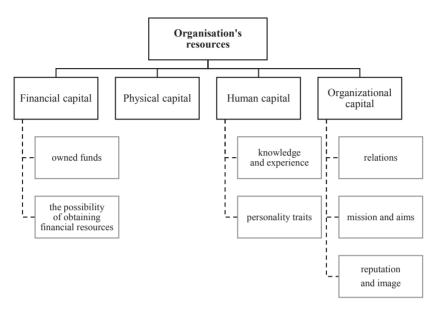


Figure 1. Classification of the organization's resources

Source: own studies based on Beyer (2010).

Finance capital is an important resource in particular from the point of view of entities, which have not commenced their operations on foreign markets yet, because it is often indispensable for the attempt to expand into these markets. In the best position are those organizations that have a level of financial capital, which in case of failure on the international market, will compensate a loss, without a significant impact on the financial liquidity of the organization. It is worth mentioning that the fast growing and having a stable financial situation entities recognize this resource as the least significant in the context of building a competitive advantage in international markets.

⁷ R. Oczkowska, *Uwarunkowania procesu internacjonalizacji przedsiębiorstw*, "Zeszyty Naukowe Akademii Ekonomicznej w Krakowie" 2005, No. 677, p. 29.

⁸ R. Śliwiński, *Podejście zasobowe a kluczowe czynniki międzynarodowej konkurencyjności polskich przedsiębiorstw szybko rosnących*, "Studia Ekonomiczne. Zeszyty Naukowe Wydziałowe Uniwersytetu Ekonomicznego w Katowicach" 2012, No. 116, p. 247.

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Physical resources, e.g. buildings, machinery, finished and semi-finished goods, materials or non-financial assets of the organization, are a decisive factor in the competitiveness of the entity. It is important because beyond the financial value of these resources (particularly in the context of the need to obtain external funding), also significant is their flexibility and adaptability to the needs determined by the internationalization strategy.

From the perspective of international activities, the important elements of the human resources are management skills, professional and personal international experience, which results not only in knowledge about the functioning of international entrepreneurship, but also about foreign cultures and languages.

Also important are characterological determinants, in particular tolerance of the risks associated with uncertain investments.¹¹ Lack of willingness to take risky actions (which can be minimized by obtaining or development of human resources) may be a factor that will determine not to take attempts to extend business to international markets.¹² It may also be the cause of too soon withdrawal from planned investment project, if initially it won't be profitable as expected.

Relationships, which is an important component of organizational capital, are primarily a network of connections with external entities, which may be the source of compensate for deficiencies of own resources of the organization. Cooperation is an effective instrument of acquiring deficient resources and the exchange of complementary goods.¹³ Connections with other entities are often a determining factor in the decision

⁹ R. Oczkowska, op. cit., p. 29.

¹⁰ Ihidem

¹¹ A. Michna, A. Męczyńska, *Determinanty umiędzynarodowienia działalności MSP – przegląd literatury*, "Zeszyty Naukowe Politechniki Śląskiej. Organizacja i Zarządzanie" 2014, No. 68, p. 87.

¹² R. Oczkowska, op. cit., p. 29.

¹³ P. Kinas, *Klastry jako narzędzie internacjonalizacji przedsiębiorstw*, "Zarządzanie i Finanse" 2013, No. 1, p. 135.

to expand the business by facilitating and accelerating the process of internationalization.¹⁴

The mission and defining the goals of the organisation determine the success of internationalization. They are also the main reasons for attempting to expansion into international markets. The development of organization must be defined by the cause, purpose and instruments to achieve it. These elements constitute the strategy of internationalization. The image of entity is a factor of the success in international markets and simultaneously it's an effect that is achievable through expanding business. As a determinant of entry into the global market, it has the greatest importance for the SME sector, particularly entities operating in the market for a short time. Major corporations, with a stable position, while acquiring new markets have sufficient confidence of consumers and business partners to achieve good results on the international stage, while young SMEs do not have a recognizable image and must develop their reputation.¹⁵

Despite the different potential of each of the mentioned organisations' resource, these are the collection of instruments that may be useful to achieve the objectives of the entity. In addition, shortages of some resources can be supplemented by making good use of the remaining capital of the organization. For example, the reputation of the organization is not dependent only on relationships with business partners and consumers, but also on the rest of the capital of the organization: financial, physical and human resources. It is also important awareness of the entity's strengths and weaknesses as well as efficient management of owned resources.

¹⁴ H. Radke-Kozłowska, *Sieciowe umiędzynarodowienie przedsiębiorstwa jako kooperacyjna forma ekspansji międzynarodowej*, "Studia Ekonomiczne. Zeszyty Naukowe Wydziałowe Uniwersytetu Ekonomicznego w Katowicach" 2015, No. 226, 201.

¹⁵ J. Cieślik, *Internacjonalizacja młodych innowacyjnych firm*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2011, p. 18.

¹⁶ R. Śliwiński, op. cit., p. 245.

2. The verification of tangible resources of the cultural and creative industries – financial and physical capital

Deficiencies in financial resources is the most notable barrier to the development and internationalization of the cultural and creative industries. This is an issue pointed at regional, national and European scale. According to published in 2014 by the European Cultural Agenda report "Good practices. Report on cultural and creative sectors' export and internationalisation support strategies", insufficient financial resources and difficulties of obtaining them are the fundamental reason for not taking export activities.¹⁷ Studies has shown that 50% of CCI companies consider insufficient financial resources as a factor significantly impeding the development of their business.¹⁸

The value of cultural and creative goods should be dependent on their contents of intangible (cultural, creative) and tangible (economic, physical) capital. The price of the product depends on its physical characteristics such as used materials or size, but it should increase significantly if the product has a specific cultural value. Due to the variety of activities of the cultural and creative industries, statement that these companies generally do not have the imposing physical capital would be too much generalization. However, by definition the intangible resources (spiritual value in the case of the national heritage, creativity, and talent) are the most important attribute of the CCI goods. The existence of this value is undeniable, but by the subjective character their pricing may be problematic. Contrary to organizations operating in the fields of technology, the resources of analyzed sector are not included in the budget statements. Moreover, the results of their activity is often difficult to measure in money, whereas experimental and subjective character determines the

¹⁷ European Agenda for Culture, *Good Practices. Report on Cultural and Creative Sectors' Export and Internationalisation Support Strategies*, 2014, p. 19.

¹⁸ B. Krapiński, *Znaczenie ograniczeń rozwojowych*, in: *Kreatywny łańcuch – powiązania sektora kultury i kreatywnego w Polsce*, ed. S. Szultka, Instytut Badań nad Gospodarką Rynkową, Gdańsk 2014, p. 102.

¹⁹ K. Kuźniar-Żyłka, *Formy kapitału dla sektora kreatywnego gospodarki*, "Nierówności Społeczne a Wzrost Gospodarczy" 2015, No. 43, p. 282; R. Kasprzak, *op. cit.*, p. 18.

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highly uncertainty of demand for newly created CCI goods.²⁰ The result is that prepared business plans are not very convincing for potential investors.²¹

Furthermore, representatives of financial institutions do not have the specialist knowledge, that is necessary to adequately estimate resources of the cultural and creative industries. On the other hand, creators point out the lack of institutional support characterized by understanding the needs and distinctive features of sector.²²

A lack of understanding of cultural and creative activities among potential investors is not the only reason for issues with acquiring financial resources. An additional reason for this is the lack of entrepreneurial abilities and knowledge about funding opportunities among the representatives of the cultural and creative industries. Therefore, it is advisable to not only raise awareness about the economic effects of culture and creative goods and develop the ability to assess asset based on intangible resources among financial institutions, but also steps leading to develop the capacity of business planning among the representatives of CCI sector.²³

A summary of analysis of the tangible resources of the cultural and creative industries from the perspective of the internationalization process is presented in Figure 2.

²⁰ M. Ratalewska, op. cit., p. 423.

²¹ K. Obłąkowska-Kubiak, *Sektor kultury i kreatywny jako wyzwanie dla małych i średnich przedsiębiorstw w Polsce*, "Studia Ekonomiczne Regionu Łódzkiego" 2014, No. 13, p. 42.

²² European Commission, Communication from the Commission to the European Parliament, The Council. The European Economic and Social Committee and the Committee of the Regions. Promoting Cultural and Creative Sectors for Growth and Jobs in the EU, Brussels 2012, p. 4; Toruńska Agencja Rozwoju Regionalnego SA, Rekomendacje działań i kierunków wsparcia rozwoju dla sektora kreatywnego w województwie kujawsko-pomorskim, 2012, https://kreatywni.arp.gda.pl/plik,67,rekomendacje-dzialan-i-kierunkow-wsparcia-przemyslow-kreatywnych-w-wojewo dztwie-kujawsko-pomorskim.pdf (accessed 21.08.2016), p. 15.

²³ European Commission. Communication..., p. 6.

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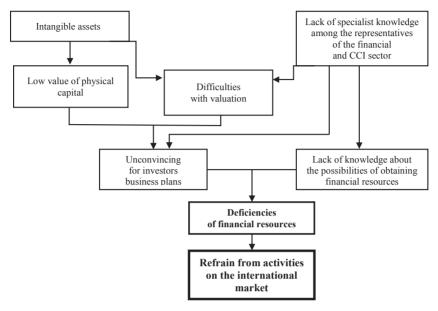


Figure 2. Tangible resources as a barrier to internationalization CCI entities Source: own studies

3. The verification of intangible resources of the cultural and creative industries – human and organizational resources

As mentioned, one of the reasons for not effectively obtaining funds for the activity of CCI sector is deficiency of creators' entrepreneurial skills. Syllabuses of universities educating future culture and creative industries' employees are focused primarily in the creation of cultural goods, while ignoring economic and marketing aspects of this kind of activity. Studies indicate that only about 30% of degree courses related to the CCI convey knowledge in the field of economics, management, and public procurement. Business offers is the subject of lectures for about 20% of the creative courses and 45% of the cultural courses, while trade

negotiations is accordingly approximately 30% and 45%.²⁴ The creators know how to produce the product, but do not have knowledge of marketing, attracting investors, thus run prosperous business in the domestic market.²⁵ Inability to conduct business in the internal market cause that entrepreneurs are not even considering the possibility of expansion in the transnational market.

Due to the fact that it is not possible for one person (in this case: the creator, artist) to possess all competencies necessary to conduct economic activity (ie. expert knowledge in law, taxation, and finance), seeking for these resources on the labor market or among business partners is imperative. This implies necessity of realizing their own deficiencies, which can be difficult because of CCI representatives' high self-esteem.²⁶

This is obviously a significant generalization because employers express demand for business skills in the labor market. Entities of the cultural and creative industries recruit for the position of managers, sales, marketing and advertising specialists, In addition, based on the organized by the National Centre for Culture platform "Work in Culture", it was noted that CCI sector entities also need specialists in public procurement, financial support programs and EU projects. It means that some of the creators, who run their own business, are aware of the deficiencies in this field and take steps aimed at supplementing them by acquiring human resources.

Besides these professional qualifications, an essential component of human resources are also personality traits and from the perspective of making business in international market in particular the tendency to take risks (i.e. the ability to proper risk assessment and courage to face with it). Previous studies are not conclusive as to the assessment of this

²⁴ Bilans kompetencji. Wybrane segmenty branży kreatywnej. Raport końcowy z przeprowadzonych badań. Raport przygotowany na zlecenie Urzędu Miasta Krakowa przez Centrum Ewaluacji i Analiz Polityk Publicznych Interdyscyplinarne Centrum Badań i Rozwoju Organizacji Uniwersytet Jagielloński, Kraków 2013, http://www.krakow.pl/zalacznik/71487 (accessed 24.08.2016), p. 49.

²⁵ Toruńska Agencja Rozwoju Regionalnego SA, op. cit., p. 17.

²⁶ R. Kasprzak, op. cit., p. 95.

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trait among representatives of the culture and creative sector. Because of the fact that CCI industry is dominated by young people, there is a belief that they are not afraid of change and take risks,²⁷ however other researches prove that the creators are characterized by conservatism and fear of undertaking risky investments.²⁸ It may mean that it is not a characteristic feature of the sector, but individual aspect, which is presumably dependent on the entity's resources and external factors.

As was pointed, creative entrepreneurs are characterized by a high self-esteem, deep-felt of their own individuality and focus on realizing personal artistic and social mission. For creators more important than profit and commercialization it is to achieve satisfaction with the "act of creation" and "art for art".²⁹ Frequently it means ignoring the economic aspect of cultural and creative activity, and as a result, do not undertaking activities supporting development in economic sense. Collaboration with other entities is factor which not only facilitates this kind of action, but also motivates entrepreneurs to undertake them. This is a solution especially beneficial for small businesses, which are the dominant group in the cultural and creative industries sector, because 80% of CCI entities belongs to the SME sector.³⁰

Cooperation between entities of the cultural and creative industries brings a lot of benefits and it is an instrument that may contribute to the internationalization of entities that independently would not have taken this kind of activity. Cooperation allows for the exchange of ideas,

²⁷ B. Namyślak, *Zróżnicowanie poziomu rozwoju sektora kultury w miastach wojewódzkich w Polsce*, "Prace Geograficzne" 2013, No. 134, 117.

²⁸ J. Kurowska-Pysz, Transgraniczny klaster kulturalny – uwarunkowania działalności, wnioski z badań, in: J. Kurowska-Pysz, J. Łodziana-Grabowska, Z. Mikoláš, Ł. Wróblewski, Perspektywy rozwoju sektora kultury w euroregionie Śląsk Cieszyński, Wyższa Szkoła Biznesu w Dąbrowie Górniczej, Dąbrowa Górnicza 2014, p. 14; M. Gajewski, M. Grochowski, R. Kubajek, J. Szczucki, Określenie instrumentów wsparcia MKiDN dla podmiotów działających w obszarze przemysłów kultury i kreatywnych. Raport z analizy danych zastanych. Policy & Action Group Uniconsult, ResPublic, Warszawa 2014, p. 10.

²⁹ K. Obłąkowska-Kubiak, op. cit., p. 41; European Commission, *The Entre-*preneurial Dimension of the Cultural and Creative Industries, Brussels 2010, p. 58.

³⁰ European Agenda for Culture, *Good Practices. Report on Cultural and Creative Sectors' Export and Internationalisation Support Strategies*, 2014, p. 16.

knowledge and experience of many separate entities (the so-called "artistic buzz"),³¹ which may lead to the development of human resource as well as to increase courage in risky business activities. Furthermore formation of a clusters of creative entrepreneurs has an impact on the consumers' and potential counterparties' perception of the region (for example Milan is recognized as a world center of fashion and Hollywood – the world center of cinematography). Running business around a recognizable and properly promoted brand increases the chance to success on the international market, because it has a positive impact on confidence in entrepreneurs and is a strong "bargaining chip" in business negotiations as well as in taking attempts to obtain external funding.³²

A summary of analysis of the intangible resources of the cultural and creative industries from the perspective of the internationalization process is presented in Figure 3.

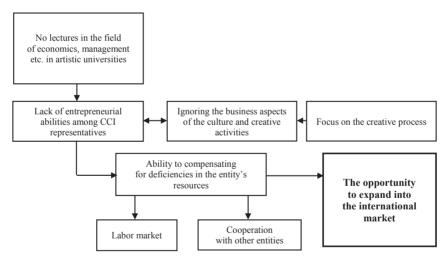


Figure 3. Intangible resources as a determinant of internationalization of CCI entities

Source: own studies.

³¹ R. Kasprzak, op. cit., p. 163.

³² Ibidem.

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Conclusions

The company, which undertakes new business challenges must always be prepared to confront the external difficulties. Due to the turbulent character of reality it is not always possible to predict future events in the market. The entities' resources can be a kind of barrier and protection against setbacks. They are therefore also relevant factors of internationalization of organizations. Effectively developed may contribute to facilitate and accelerate expansion into international markets, whereas their deficiencies or incompetent usage can become a barrier to undertake export activities and achieve success in international markets.

Resources of the cultural and creative industries are mainly concentrated around intangible assets i.e. the talents and ability to create high quality cultural and creative goods. But the CCI sector's problem is the deficiency of resources that are valuable in the context of managing a prosperous entity. The most important barrier to the development of activity are insufficient financial resources. This is an issue inextricably linked to the intangible characteristics of their assets, not having a large physical resource and a lack of entrepreneurial skills.

Deficiencies in the most significant from the perspective of internationalization resources can be replenished by the usage of resources from environment, for example from the labor market or through cooperation with other economic entities, not only of the cultural and creative sector. However it is important that the CCI entrepreneur should have consciences of their strengths and weaknesses as well as they should be able to overcome the stereotypical perception of their personality traits: a high level of ego, excessive sense of individuality and focus on the personal artistic and social ideas

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Monika Znojek
Doctoral student at University of Szczecin