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Entrepreneurial firm growth in creative industries: fitting in ... and standing out!

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ABSTRACT

Firm growth in creative industries, which are characterized by craftsmanship, imagination, artistic quality and innovativeness, is a conundrum. By means of a matched pair case study design of market leaders and followers in seven creative industries in the Netherlands, the present paper seeks to tackle this conundrum. It suggests that for entrepreneurial firms to develop (instead of stagnating or demising), founders need to *fit in*, or understand the value creation and conversion processes in vigor within their industry. For firms to grow by means of an expansion of their markets, founders need to *stand out*, or create resource advantages vis a vis other firms in the industry, which could lie in an internationalization or a digitalization vantage. Not despite of, but because of their quality focus, which accrues to reputation advantages and impact, creative firms succeed in growing. Lessons are drawn from how and why firms in creative industries develop and grow. These may contribute to firm growth assessment practices and process theories.

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Firm growth; creative industries; impact; values; strategy

Introduction

Growth of a firm has been related to its access to more or different resources compared with other firms (Levie and Lichtenstein 2010). Any such newly discovered 'productive opportunity' (Penrose 1959: 31) could translate into value for internal and external stakeholders, which in term can lead to firm growth. How some firms turn opportunities into value so differently from others that they end up way in front, is a conundrum. This paper's goal is to augment the understanding of entrepreneurial firm growth in creative industries, where financial returns are not prioritized. Hence, while revenues are often considered as a quantity that entrepreneurs maximise, in creative industries money or profits is not the guiding principle but a means to an end (Bergamini et al. 2018; Bos-de Vos, Wamelink, and Volker 2016; Loots and van Witteloostuijn 2018; Scott 2012). This also applies to firms considered to be operating in industries that are more commercial compared with non-profit 'arts-based' sectors as contemporary theatre and performance based work (de Klerk and Hodge 2021; Salder 2021).

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Creative industries have been depicted as ‘an outgrowth of the previously non-market economy of cultural public goods and private imagination that seeks new ways of seeing and representing the world’ (Potts et al. 2008: 182). They include the production of the arts (literature, music, performing and visual arts) and wider and related activities (film, media, television, radio, computer games, advertising, architecture, design, fashion and museums) (Throsby 2008). Goods and services produced in creative industries are not always ‘problem-solving’ (Paris and Ben Mahmoud-Jouini 2019), and rather than addressing market demand, they originate in the artistic convictions of creators. Over the years, the literature has expanded greatly on explaining the dual performance goals, management paradoxes and identity struggles in creative industries (Caniëls and Rietzschel 2015; Caves 2000; Eikhof and Haunschild 2007; Jacobs and Cambré 2020; Nielsen, Norlyk, and Christensen 2018; Round and Styhre 2017; Schediwy, Bhansing, and Loots 2018; Townley and Beech 2009).

However, how creative firms grow, and which ones do, given or despite such challenges, remains measly understood. Even if creative firms have been found ‘unlikely to have clearly defined growth strategies, or even growth intent, but rather have strong content orientation’ (Sigurdardottir and Candi 2019: 481), there is extreme size differentiation in many creative industries, leading observants to conclude that they possess the structure of winner-takes-all markets (Frank and Cook 1996). While few creative firms do grow in extreme proportions, a large majority fail in growing or cease to exist after short existence.

For better understanding entrepreneurial firm growth in creative industries, an attention-based perspective (cf. Joseph and Wilson 2018) and a (strategic) resource mobilization perspective are combined in this study. Firstly, we argue that a founder’s attention focus transpires her/his values and could have an enormous impact on the development and/or growth of the firm. Because most entrepreneurial ventures start small, so we argue, a founder’s cognitive opportunity beliefs for strategic action play a key role in the growth decisions of entrepreneurial firms. Secondly, we investigate how firm founders in creative industries find access to resources, and how they create value out of productive opportunities so that competitors are outperformed. As explained by Sternad and Mödritscher (2020: 29): ‘Entrepreneurs use a wide variety of different approaches to change the value creation system, value proposition, and value capture mechanisms of their firms in order to access new market potential and influence the growth patterns of their firm through (re)focusing their intentions, actions, and (resource) commitment to new opportunities’. Frequently, such value captured appears in a firm’s balance sheet. But what if a firm founder or owner tends to focus on value not just as an output but equally as a crucial input? What if (s)he prioritizes growth in terms of reputation and innovativeness over financial growth; how can such symbolic value be monetized or be translated into firm growth in any other way?

In order to address such questions, the paper looks at attention, or cognition leading to action in line with one’s values, and how these elements jointly affect resource mobilization processes that can result in growth. In order to explain distinctions between market leaders and followers, and between sectors, our data collection and analysis were informed by the principles of selection theory (Wijnberg 1995, 2004) and capital theory (Bourdieu 1986, 1993).

In the remainder, after introducing creative industries, we review what is known of entrepreneurial firm growth in creative industries, including its drivers and barriers and the potential role of the founder. Thereafter, we provide details about our matched-pair case study research design based on interviews with the founders of high-growth firms (market leaders and firms with growth potential) in seven creative industries in the Netherlands. The findings of our analysis highlight a distinction between firm development and firm growth, with the former being a process of value conversion (fitting in) and the latter specified as advantageous market expansion strategies (standing out) reliant on internationalization and digitalization. We discuss how and why firms in creative industries develop and grow, as well as how insight in creative firm growth could benefit the understanding of growth processes and assessments in other industries.

Literature

Creative industries

Creative industries have been defined as the 'set of agents in a market characterized by adoption of novel ideas within social networks for production and consumption' (Potts et al. 2008: 182). These industries have been said to make a difficult fit into the general economic frameworks, even if their contribution to GDP and economic growth has become undeniable (Potts et al. 2008).

Many consumers rely on intermediaries and certifiers, awards, reviews, and other signals that guarantee the quality of the 'trust intensive' (Karpik 2010) or 'experience' goods (Caves 2000) that come about in creative industries. To reduce the quality uncertainty that consumers experience, various firms use information strategies such as sampling, previewing, and taking part in fairs (Caves 2000).

To cope with the challenges of bringing uncertain creative goods and services into competitive markets, creative entrepreneurs need to 'act as an interface between the market and the art' (Paris and Ben Mahmoud-Jouini 2019: 416). Managing a creative firm¹ implies dealing with countervailing forces and 'bridging and bonding diverse sources of know-how and competencies' (Round and Styhre 2017: 203). These include creative skills and aesthetic sensibilities in tandem with coordination and planning activities that allow for sustaining and developing a business.

The distinctions between small and large firms are excessive in numerous respects, such as their capacity of production and marketing, size and scope of their clientele, and performance and growth abilities. Creative industries have been said to suffer a Matthew-effect: smaller firms often lack the liquidity to signal their ware the way larger firms can (Caves 2000), which installs bandwagon and network effects (i.e. the increase in value because of wide use) that proliferate the popularity of the goods and services developed by larger firms even more.

Drivers and barriers to creative firm growth

Spurring an entrepreneurial firm on towards greater productivity and activities at a larger scale, starts with the agency of its founder (McKelvie and Wiklund 2010; Penrose 1959) and her/his role in resource acquisition and mobilization processes (Blackburn et al. 2008).

First, a founder must possess the ability to make her/his firm grow. For example, a lack of the technological know-how and other means to enable growth investments (Heidemann Lassen, McKelvey, and Ljungberg 2018; Kohn and Wewel 2018) can add to many creative firms' liabilities of smallness. Sigurdardottir and Candi (2019) find that creative firms are frequently not capable of translating their emphasis on 'content' into appropriate R&D activities and of developing targeted sales and marketing efforts, and that they lack clear long-term planning. Combined, those elements lead firms to 'either shrink down to core projects or grow by investing in pet projects, which might not pay off financially' (Sigurdardottir and Candi 2019: 481).

Equally important is that an entrepreneur must possess the willingness to upscale the business. This is particularly at stake when financial returns are not being prioritized (Loots and van Witteloostuijn 2018; Sigurdardottir and Candi 2019). Growing a creative firm is often feared to jeopardize a founder's autonomy and the wellbeing of employees (Haans and Van Witteloostuijn 2018; Wiklund, Davidsson, and Delmar 2003). Equally, the preference of creative firm-owners for profound specialization limits rather than prompts their businesses' growth potential (Caniëls and Rietzschel 2015; Gundolf, Jaouen, and Gast 2018). Creative entrepreneurs have been found to be reluctant toward accepting external funding because they expect it to touch upon their independent decision-making (Sigurdardottir and Candi 2019) and seem not inclined to engage in cooperating or allying with similar firms (Gundolf, Jaouen, and Gast 2018; Loots, Cnossen, and van Witteloostuijn 2018). An explanation for the aversiveness toward growing in size or sales, lies in the perception of creative firms that it could signal that they are mainstream, or even a 'sell-out', which is to avoid in industries where legitimacy in the eyes of stakeholders is crucial (Lounsbury and Glynn 2019; Sigurdardottir and Candi 2019).

Despite these barriers, there is growth in creative firms, even if the literature fails to offer evidence of its drivers with one accord. Sigurdardottir and Candi (2019: 478) posit that the emphasis on the art for art's sake principle in combination with the competition stemming from the large supply of individuals who seek to work in creative industries 'creates the impetus for a flexible attitude towards growth'. In such competitive markets, a firm's entrepreneurial orientation has been found to affect firm-growth, but only for firms that possess the necessary internal capabilities (Chaston and Sadler-Smith 2012). Gundolf, Jaouen, and Gast (2018) explain the motives for alliancing in creative industries, which is one way of growing a firm: a firm's stability and profitability, new projects and the ability to pursue activities that are not profitable as well as sticking to lifestyle objectives. The fragmentation in the literature highlights the need for more and systematic research into the determinants and modes of creative firm growth.

Methods

The present study is designed as a matched-pair case study (Geddes 1990; Nielsen 2016) of entrepreneurial firms in creative industries, which allows to reveal differences, similarities and patterns based on comparisons across all cases, between the pair members, and across the pairs that belong to seven subsectors in creative industries: architecture, digital design, advertisement, fashion and textile, gaming, industrial

design and popular music. Even if the case 'studies' are not full-fledged, our study follows the roadmap for building theories from case studies developed by Eisenhardt (1989), specifically in iterating between the literature and empirical findings, and in using divergent techniques for cross-case pattern search.

Research setting

The 'relevant universe of the cases' (Nielsen 2016: 586) of this study is creative industries in the Netherlands. Already in 2004, Dutch creative industries were recognized as a key economic sector, having in common 'that they create innovation, use imagination to generate meaningfulness and carry out the will to exploit this' (Letter for the Council of the Ministers 2015). According to the ministry of economic affairs, design disciplines stand out in Dutch creative industries: fashion, industrial design, gaming, digital design, architecture, urban design. Because of its small domestic market, the Dutch government is supportive to creative industries' expansion to foreign markets as a way to exploit the industries' economies of scale, and arranges diplomacy and international trade missions to do so (Ruel 2013). Creative industries are the largest economic sector in the Netherlands when it comes to the number of firms: 147.085 compared with for example 27.725 in logistics and 2.130 in chemistry in 2015 (Ministry of Economic Affairs 2016). This number has increased in recent years, up to almost 185.000 in 2018 (Immovator 2019). Remarkably, only 40 companies counted more than 220 employees, while 99.9% of Dutch creative firms are SMEs or micro-businesses, clearly reflecting the winner-takes-all market structure (Immovator 2019).

Sampling

Out of seven sectors, pairs of two cases were sampled to represent each time a 'market leader' and a firm with 'market potential' (Table 1). The case selection method has been referred to as 'the method of most similar systems' (Teune and Przeworski 1970) or as 'the comparative method' (Lijphart 1971). It builds on Mill's 'method of difference' (Nielsen 2016: 571): all cases possess a majority of identical features, and a few that differ between pairs. The key variables similar across the cases are that all belong to Dutch creative industries, 'exploit' creativity or facilitate this, have in the past years experienced a relatively steady growth path without shocks (such as acquisition, spin-off, franchising, or flotation on a stock exchange), have international activity that expanded within three years before data collection, and were expected to expand in the three years after. The key variables of interest that differ are a firm's sector and market position according to experts, with one market leader and one follower with the potential to grow in each pair.² The similarities constrain variation due to size differences among the firms, while the differences in sectors allow to control for environmental variation (Eisenhardt 1989).

Data collection and analysis

Fourteen semi-structured interviews with firm founders have been conducted in their mother tongue (Dutch). Interviews ranged from 40 to 120 minutes and were recorded. Eisenhardt (1989) suggests to *a priori* specify constructs to help shape the



Table 1. Overview of the cases and respondents.

Sector	Firm ID ^a	Interview date (2017)	Activities	Year of founding	# employees (in 2017)	Values (key statements)	Similarities	Differences
Music	MU	April 21th, 45min.	A popular music label	1999	50–100	'We want to remain new and innovative' 'if we would have been only focused on profit, I think we would have had less success over the years. Because that means that you cannot take risks'. 'Revenues are a result and not a goal in itself'.	Founders have a passion for music and want to create an impact or 'momentum' with their artists; Believe that revenues follow quality. Revenues are a sign of success; Profit is complementary; Firms grow in international contracts by repeating successful activities; Learn by doing.	MU puts many efforts in producing hits and directly reaching international audiences with the help of the Internet, a market orientation leads to internationalization and growth.
	mu	April 19th, 100min.	music management	2010	1–10	'We are not looking for financial success. We are looking for attention, energy, a positive interaction with fans. Call it emotional success, all those people smiling. I prefer and pursue that kind of success over financial success. Because once that happens, money will come naturally. The other way around seems to me more difficult'.		mu puts efforts in solid B2B relationships to distribute its products and is mostly oriented toward peers.
Games	GA	May 1th, 70min.	games+ consulting	2008	10–50	'I am pursuing happiness and growth. In fact, a growth perspective is more important than growth itself. Because in this manner, you can develop ideas and try things out'.	Firms invest in the global marketplace and have a clear and active international business development strategy.	GA benefits from technological developments to reach larger, international audiences (cf. the release of the iPhone). The firm develops creative and innovative products.
	ga	May 12th, 120min.	serious games	2015	10–50	'Continuity matters'. 'A good reputation leads to more sales'. 'Profit is instrumental, not a goal in itself'.		ga has a clear mission and a focus on one impactful product (solution) that they want to market globally.
Advertising	AD	April 28th, 40min	Advertising and media services	2003	600–700	'We are selective and use quality criteria for the decision of working or not working with a client'. 'If we create an impact, we will have happy clients, and we will make a profit. That is how it works'.	Firms (pro)actively invest in their creative assets and a quality reputation; Orientation onto experts; prizes; publication, (media) attention; Founders are selective in the choice of clients in order to develop a reputation;	AD considers' peer recognition instrumental, toward business development, profit and growth. Quality, impact, growth and profit are entangled and equally important business goals.
	ad	April 25th, 40min.	Advertising and media services with a focus of film	2010	10–20	'Some entrepreneurs find it strange that we say no to some certain projects. But we believe in that strategy. We believe that if you are creative, the best thing to do is being selective in the projects you want to do. Compared with other creative firms, we may have more artistic ambitions'.	Founders seek to create an impact and to add value to the world with unique, creative approaches.	ad wants to be creative for the sake of creativity. Therefore, they are selective in the choice of customers and specific in their choice of awards and peer attention. Any profit is instrumental and will be invested. Quality over quantity.

(Continued)

Table 1. Continued.

Sector	Firm ID ^a	Interview date (2017)	Year of founding	# employees (in 2017)	Values (key statements)	Similarities	Differences
Architecture	AR	April 19th, 40 min.	1993	100–200	<p>'(I want to) stay innovative to give meaning to projects and create an impact on society.'</p> <p>'Realizing too many commercial projects can harm your reputation.'</p> <p>'In the end I need to pay 180 people so of course, I need to make money.'</p> <p>'Reputation is important. That is how you obtain projects.'</p> <p>'There must be a profit, but never at the cost of quality. Quality always comes first.'</p>	<p>Firms have solid and active internationalization strategies and invest;</p> <p>Believe that quality and innovation are prerequisites;</p> <p>a good reputation is fundamental for obtaining new contracts;</p> <p>Firm founders want to have an impact onto the world and add value for humankind.</p>	<p>AR is a 'star architect' and 'snowballed' into being a globally successful firm. The firm is innovation-oriented and seeks to realize dream projects.</p>
	ar	May 4th, 65 min.	2007	1–10	<p>'Business success means: revenues. But I am also a craftsman: so, working for the most beautiful brands is also a success.'</p>	<p>Firms have an active international business development strategy;</p> <p>Firm founders want to develop high-quality content and make an impact with their craftsmanship;</p> <p>Firm founders are cooperating in order to develop the (relatively young) industry.</p>	<p>ar is positioned into a geographical niche and strongly oriented to a network of peers and partners in order to develop high-quality projects.</p>
Digital design	DD	May 3th, 90 min.	2001	300+	<p>'(I want to) make a significant impact.'</p> <p>'Creativity and innovation are the prerequisites for making a profit.'</p>	<p>Firms grew organically, by using strategic fairs and agents in order to tap into international markets;</p> <p>Product specialization;</p> <p>Believe in the need to combine entrepreneurship and creativity to grow and become successful;</p> <p>Orientation toward the satisfaction of consumers and contractors;</p> <p>Aim is sustainability: people, profit and planet;</p> <p>The firm will not be put at risk;</p> <p>Founders have clear characteristics of managers.</p>	<p>DD specialized into a niche market and became a global niche player. Quality content is a way of growing internationally, which appears the ultimate goal.</p> <p>dd has a focus on international expert recognition and attention (awards, media coverage); an international reputation will lead to international success; being able to be creative is the ultimate aim.</p>
	dd	April 25th, 45 min.	2008	40+	<p>'We look for sustainability and profitability: we want to be sustainably cost-effective.'</p> <p>'The long term is more important than the short term.'</p>	<p>Firms grew organically, by using strategic fairs and agents in order to tap into international markets;</p> <p>Product specialization;</p> <p>Believe in the need to combine entrepreneurship and creativity to grow and become successful;</p> <p>Orientation toward the satisfaction of consumers and contractors;</p> <p>Aim is sustainability: people, profit and planet;</p> <p>The firm will not be put at risk;</p> <p>Founders have clear characteristics of managers.</p>	<p>dd has a focus on international expert recognition and attention (awards, media coverage); an international reputation will lead to international success; being able to be creative is the ultimate aim.</p>
Fashion	FA	May 30th, 45 min.	1961	100–200	<p>'The long term is more important than the short term.'</p>	<p>Firms grew organically, by using strategic fairs and agents in order to tap into international markets;</p> <p>Product specialization;</p> <p>Believe in the need to combine entrepreneurship and creativity to grow and become successful;</p> <p>Orientation toward the satisfaction of consumers and contractors;</p> <p>Aim is sustainability: people, profit and planet;</p> <p>The firm will not be put at risk;</p> <p>Founders have clear characteristics of managers.</p>	<p>FA is a 'star architect' and 'snowballed' into being a globally successful firm. The firm is innovation-oriented and seeks to realize dream projects.</p>
	fa	May 11th, 45 min.	1981	50–100	<p>'The long term is more important than the short term.'</p>	<p>Firms grew organically, by using strategic fairs and agents in order to tap into international markets;</p> <p>Product specialization;</p> <p>Believe in the need to combine entrepreneurship and creativity to grow and become successful;</p> <p>Orientation toward the satisfaction of consumers and contractors;</p> <p>Aim is sustainability: people, profit and planet;</p> <p>The firm will not be put at risk;</p> <p>Founders have clear characteristics of managers.</p>	<p>fa is positioned into a geographical niche and strongly oriented to a network of peers and partners in order to develop high-quality projects.</p>

(Continued)



Table 1. Continued.

Sector	Firm ID ^a	Interview date (2017)	Year of founding	# employees (in 2017)	Values (key statements)	Similarities	Differences
Industrial design	ID	April 28th, 90 min.	1994	100–200	'Making an impact and adding value is the most important for us.' 'Note that it is not so that profit or revenues are not important.... We are not seeking profit maximization. We strive for a sustainable business.'	Staying innovative is a prerequisite to survive; Firms grow in international contracts by repeating successful activities;	ID has been an early adopter of digital design and developed the expertise of integrating it in its industrial designs that become 'services'. This has led to an increasing firm size (staff).
	id	April 20th, 40 min.	1989	10–50	'There must be a profit. We are aiming for 10%. But we will never pursue profit maximization, because we only have to invest in ourselves.'		id has only turned to IT and digital design a few years ago. The scope of the firm remains on more 'traditional' industrial design products.

We pseudonymize firms by taking the first two letters of their branches, in capitals for the market leader, in regular font for the firm with market potential.

theory-building research, even if they are not guaranteed a place in the resultant theory. As such, the interview guidelines were developed based on a valuation method to discover the value frameworks (cf. Klamer 2016) of the firm-founders that could influence or could have influenced the growth process of the firm. Two sets of constructs benefitted the research: first, based on Bourdieu (1986, 1993) and Scott (2012), informants were questioned about the importance of cultural/human (skills, talent, etc.), social (network) and symbolic (reputation) capital for their firms.³ Second, based on Wijnberg (1995, 2004), informants were asked to rank peer, expert and market selection in order of importance, and to explain this ranking.⁴ In this manner, the values that underlie cognition and action that affect a firm-growth process were inferred rather than explicitly questioned.

The interviews were transcribed verbatim and coded. In a first round of coding, one author identified the incidents (concepts, mechanisms) relevant to the firm growth process. In a second round, the same author searched for statements that described the firm growth process in order to, iteratively and in dialogue with the other author, develop insight in the firm growth process, accounting for the forms of capital and selection systems that served as conceptual orientations offered by the literature. In a third round, in tandem, both authors sought for differences, similarities and patterns based on comparisons across all cases, between the pair members, and across the pairs that belong to creative industries' subsectors. Data triangulation (mostly using on-line materials, but also in the form of conversations with various experts from practice, policy and knowledge institutions) reinforced the validity of emerging findings.

Findings

The fundamentals of the entrepreneurial firm in creative industries

We begin by outlining some fundamentals of entrepreneurial firms in creative industries. Illustrative quotes are included in Table 1.

First and foremost, all interviewees (except FA) articulate the artistic and/or creative primacy of their business. Repeatedly and articulately, respondents state that revenues and profits have been a consequence of creativity. Money follows hard work and creativity (MU, ad, AR, dd, ID). Quality precedes profit (AR, ad), and creativity and innovation lead to profits (Mu, mu, ga, AD, ad, AR, ar, DD, dd, fa, ID, id). A good reputation, especially in a B2B-context, gives a helping hand; financial rewards will follow (MU, mu, AD, ad, AR, ar, dd, ID, id). A good reputation develops by selecting the right (innovative) projects (MU, mu, AD, ad, AR, ar) and clients (AD, ad, ID, id, DD, dd), and by avoiding reputation harms that typically arise when a firm is perceived to be too commercial (AR).

Creativity is an input that *can* lead to an impact (MU, mu, ga, AD, ad, AR, ar, DD, dd, ID, id). Impact is what gives a firm status within the industry. When creative professionals socialize with their peers, they talk about the projects that they perceive to be impactful. For designers (ga, AD, ad, AR, ar, DD, dd, ID, id), impact is a natural consequence of the centrality given to consumers in a solution-oriented design thinking approach. Entrepreneurs are willing to bear the costs of creating an impact onto people, society or the world.

Revenues are necessary, but profit maximization is not (MU, ad, AR, ar, dd, FA, ID, id). The aim of many creative firms is not profit maximization. Mere pursuing profit maximization would hamper the innovative capacity of the firm. Rather, as is testified, firms need some profits in order to be able to invest in R&D or quality development, which they consider to be a prerequisite to their continuity (Mu, GA, ga, AD, ad, AR, ar, DD, dd, ID, id, fa). Respondents explain that it is costly to remain original, which requires investments in market innovation and product differentiation (cf. Lampel, Lant, and Shamsie 2000).

Some founders value the stability of the business over growth in terms of more employees or higher revenues (FA, ga). That is not to say that those firms do not seek for an impact. They do, but they adhere to delivering the best quality in a context of sustainability that entails an enjoyable working environment and the wellbeing of the (at times long-term) employees. For example, a design company has had 30 employees for over twenty years (id). A music agency (mu) is tapping into international markets for spreading their niche music genre, which is a strategy that leads to larger numbers of consumers and heightened revenues, but not to more employees.

Summarized, on the one hand, owning a creative firm requires engaging with its business aspects and commercial side. On the other hand, a creative firm is also a vehicle by means of which a creative professional can create an impact in society. Firm growth is not an end in itself. For some firms, growing has been a result of the attention-focus on reputation-enhancing projects.

Creative firm development: interplay between artistic, social, symbolic and financial capital

For businesses in creative industries to develop (rather than stagnate or fail), founders need to have a focus on the value mobilization processes in vigor within the industry and need the ability to artfully capture value out of those processes (Bourdieu 1986; Scott 2012). The starting point for a creative firm is its craftsmanship, artistic quality, imagination and at times innovativeness. As stated by a market leader in industrial design, his employees 'are craftspeople who want to deliver quality to our customers and be recognized for that by our customers and the industry'. Entrepreneurs take pride in the quality they and their employees can bring onto the market, which is born out of craftsmanship. It is the *cultural capital* of a creative firm. Typical for creative firms is that they deal with radical uncertainties and experience a quality rather than a price competition (cf. Caves 2000). To cope, entrepreneurs try to recruit the most talented people, which in some sectors leads to a 'battle for talent' (for example in music and architecture).

Next to those internal human resources, many founders recognize the importance of *social capital*, or the role of a social network in advancing the business. Members of a professional network can foresee in social support and opportunities. Many entrepreneurs also identify learning opportunities residing within their networks: knowhow, tacit knowledge, relevant industry information. Networks seem to be of particular importance for firms in industries where intermediaries are crucial, such as in music where venues must be willing to stage musicians and in advertising that is beset by peer awarding practices. Networks are also crucial in industries that are in development where collective efforts can benefit industry-growth (digital design). In our data are some exceptions. The market leaders in architecture and fashion do not attach too much importance to networks: the former because the industry is very

competitive, and firms compete for tenders (AR); the latter because networks do not affect the interests of consumers (FA). Also, some smaller companies looking for clients in a specialized B2B-market (e.g. games in healthcare) are less inclined to invest in their social capital beyond such clientele.

The most refined form of capital in terms of how creative firms handle it, is *symbolic capital*. Creative firms simultaneously use peer, expert and consumer selection systems (cf. Wijnberg 1995), and not just one selector, as ways of developing symbolic capital, which can function as a signal of quality. During the interviews we asked informants to rank and discuss selection systems (Table 2). None of the informants is averse to the market of consumers in a B2C-environment and contractors in a B2B-environment. Most of the respondents, market leaders (in games, digital design and fashion) and followers (in music, games, architecture fashion and industrial design), prioritize such a market selection over expert and peer selection. An entrepreneur in industrial design (id) expresses it as follows: ‘The appreciation by commissioners and clients is most important, it determines our success. A good reputation of quality is essential for current and future customers.’ The market leader in games (GA) confirms that ‘the market is definitely the most important. Positive reviews and word of mouth are important too, but they originate in the market; they are only worth something, if someone decides to spend her/his money on our products’. The market leader in advertisement (AD) is aware of the close interconnectedness between the selection systems:

Profit is important, the market rules. But it is a chicken or hen story: awards lead to recognition and a good reputation. That is indispensable. An award leads to press attention, happy customers and it shows that we are very good.

As quality is key for entrepreneurs in creative industries, and consumers cannot easily experience the quality of their products and services (Caves 2000), entrepreneurs apply different techniques to develop symbolic capital, depending on the preferences of the entrepreneur and on practices common in the industry. For example, in advertising, digital design and architecture, prizes, awards and publications function as hallmarks of quality, prestige and attention; they can lead to new customers and proud employees. For this reason, the market leaders in music and architecture have a clear expert orientation. Their reasoning is along the lines that attention crowds-in a good reputation, first within the sector, and after that in a market of consumers. As the entrepreneur in music (MU) explains:

Positive reviews by tastemakers mean that people think you deliver good work, that you make hits. We create hits, we must be found cool, so our reputation is key. Then the market follows, we are commercial. After that, awards will follow.

The leading architect (AR) reasons in a similar fashion: ‘The recognition by experts implies that you are doing a good job and it leads to a good reputation. This brings

Table 2. Prioritization of selectors.

	Market leaders	Firms with market potential
Market—expert—peer	gaming, digital design, fashion	music, gaming, architecture, fashion, industrial design
Market—peer—expert	advertising	
Expert—peer—market	music and architecture	
Expert—market—peer	industrial design	advertising, digital design

us the most talented employees and potentially interesting commissioners'. Firms in a B2B-sphere equally adhere to expert recognition, because that will lead to new commissions. As articulated by an advertiser (ad):

When you obtain positive media attention, creative commissions will automatically follow, at the level that we find interesting. A good reputation is key. We have it, and fare well by it. Our goal is to have commissioners that we believe are most interesting finding us, and to be able to make them a good proposition.

Many firms do not put their destinies in the hands of their peers or experts, but proactively invest resources into getting their momentum, on a prestigious stage or platform, or into publications. Entrepreneurs testify about how they invest time and money to obtain a nomination for a respected prize (AD, ad, ID, id, ga, AR, ar). Symbolic capital is thus of major importance and used as a signal of quality to reduce demand uncertainties, but it comes at a cost: investing in generating 'buzz' (cf. Scott 2012) around a brand name, creating a reputation of trust and quality, and developing iconic projects (cf. Bos-de Vos, Wamelink, and Volker 2016) cost money. Therefore, creative firms are likely to apply a strategy of 'cross-subsidization', meaning that they invest in more artistic and often risky projects by means of the surpluses generated by the more commercial projects. By realizing hallmark projects, firms seek to establish a reputation and the recognition by peers, typical a strategy in architecture and film production (AR, ad). While developing symbolic capital may be costly, it also leads to returns. Hence, the development of symbolic capital accords with a feedback loop: high quality and reputation lead to better contractors, which lead to better employees, which lead to better quality, which improves the firm's reputation, and so on. Knowing how such value mobilization and conversion processes work, allows creative firms to gradually develop (rather than stagnate or fail).

Creative firm growth: internationalization and digitalization strategies

Entrepreneurial firms can grow by means of an expansion of their markets, if founders can create an advantage vis-a-vis incumbent firms. At the time of data collection, a cognitive focus on internationalization and/or digitalization may lead to the resource allocation suited for growth, given that the industry is resource-munificent and the firm is adequately positioned in it.

Internationalization

Firms seeking expansion often do so by entering new geographical markets (Blackburn et al. 2008). Not all firms in Dutch creative industries internationalize, but if they do, the process typically runs through three consecutive stages: orientation, exploration and effectuation. In the *orientation* stage, firms discover foreign markets. The informants refer to 'strategic fairs' that they make use of to orient towards new, international contacts and contracts. Such fairs are temporary clusters of attention that show new trends and allow matchmaking. For the entrepreneurs, these are platforms to showcase their uniqueness, and to learn about their distinctive capabilities, trends and the competition in a global market.

After orienting and before the real entrepreneurial leap occurs, firms *explore* international markets and their cultural differences and try to establish international contacts and contracts. They do so in a lean manner, for example, by joining international networks and/or cooperating with similar agencies abroad and international agents or distributors, with the intention of creating and sharing mutual benefits. In case, 'within the fashion industry it is common to find agents or distributors that will represent your brand in a foreign market and get a share of the profit' (fa). For expanding internationally at relatively low cost, firms may rely on cooperation and their dynamic capabilities, which help them 'to integrate, build, and reconfigure internal and external competences to address rapidly changing environments' (Teece, Pisano, and Shuen 1997: 509) as a comparative advantage.

Only in a third stage, internationalization is being *effectuated*. Here the entrepreneur needs to 'dare to take risks and also be a bit bold and opportunistic' (GA). Two internationalization strategies abound: one that requires financial investments, and one that does not. In line with the first, firms prepare to enter foreign markets by acquiring assets. For example, firms engage in international business development practices and hire people for creating international contracts (AR) and developing international markets (ga, FA). A so-called 'bridge-build HR strategy' to internationalize, refers to the development of an international environment within the firm, by recruiting international employees, shifting the company's and/or website's language, acquiring legal expertise, etc. One informant (AD) refers to these practices as 'global-local working'. The second way of effectuating internationalization requires lower investment because firms develop international markets while initially remaining the same size. Key here is the reputation of the firm: it starts with being selective in accepting only few out of several opportunities, which is a way of keeping up or improving quality standards that could foster the firm's visibility at the international level. Even if the potential to grow is present, the entrepreneur chooses otherwise in order to protect her/his quality reputation. A key example is that of an architecture firm selecting an international commission over a national commission.

Digitalization

Digitalization provided and may still provide growth opportunities and first-mover advantages to creative firms, albeit in some industries only. In the B2C-markets of the recording and gaming industries, the emergence of intermediary platforms led to increasingly stronger online mediation, while marginal production costs went down. An informant (MU) testifies: 'Everything has become digital, nothing has remained physical, so to speak. The Internet led us to serve the world'. He explains how the company's earning model started to rely on online media:

Around 2007, social media as Twitter, Facebook, YouTube started to gain a prominent role. We dove into that and succeeded in getting people from all over the world to know our artists. With 17 million subscribers to our YouTube channel, we were able to develop an international market for our brand. Today, our revenues originate in several online sources: Spotify, YouTube, rights, commercials, name it. The difference with ten years ago, is that the world is literally inside your laptop. You can try to exploit that by connecting an audience to your product.

The digitalization benefits of the producers of reproducible goods differ from those of the firms in B2B-settings and industries that rely on the singularity (Karpik 2010) or uniqueness of a product or service, which need other market strategies. One sector that has greatly benefited from technological developments, is the digital design sector. An informant testifies how his firm included digital aspects and carefully picked clients that would allow them to grow (DD):

It was an entrepreneurial, deliberate choice to focus on companies with a commercial interest in the Internet. We knew that they were going to invest. When you care about customer relationships and good quality, they remain your customers. At that point, you have caught the first stage of firm-growth.

Good client relationships offered the firm expansion opportunities by acquiring new skills and services:

We kept expanding our services to those loyal customers. We started with concepts and design and development; after that we delivered also management activities, taking care of systems; still later, we thought we were capable of doing analytics. That was a second step toward growing.

In this manner, digitalization led to growth opportunities for B2B-firms that became capable of serving their clients' rapidly evolving needs. Excelling and leaving competitors behind allowed firm growth, because of an increase in demand, as testified by the informant (DD): 'And then, creating new customers has been a third step. That is how we have built the company'. Also, the owner of an industrial design company (id) explains how his company seeks to offer up-to-date solutions to clients:

We have hired two smart people. In the past, we focused on analogue products, but now, increasingly more, we include a digital component in products, by means of an app, through a website, built-in with a piece of intelligence, with the Internet of Things.

The B2B-cases demonstrate how digital designers that are flexible, operate in a growing market and aim to grow in firm size and revenues, use their symbolic capital. In this relatively young industry, first-mover advantages, an excellent service support infrastructure, and caring for both loyal customers and new clients, have allowed firms to grow, along with their clients. Profit maximization has never been the objective.

Variation in firm development and growth across creative firms

Among creative industries, there is variation in firm development and growth. Hence, the scalability of operations of creative firms is variable and related to their product type, with a key distinction between reproducible goods (as in games, music, fashion) and singular goods (as in architecture, advertising) (Sigurdardottir and Candi 2019; Salder 2021). In B2C-settings with firms creating reproducible goods, economies of scale can lead to size enlargement, especially if firms make clever use of digital distribution. Otherwise, in a B2B-environment, a solid reputation leads to contractors' loyalty or new (international) contractors. As a rule of thumb, our study shows inter-firm variation, in that in a B2C-setting, sales-growth can lead to hiring people,

whereas in a B2B-setting, hiring talented people in relevant roles can lead to higher turnover. Such a finding is in line with research into other industries, where it was found that for product-based SMEs a clear focus on the quality of custom technologies led to growth, whereas service-based firms benefitted from a close understanding of customers' needs and relationship building (Blackburn et al. 2008).

Discussion

Creative firm development: capital conversion processes

Creative firm development occurs by value creation and value capturing processes that start with cultural capital and mobilize social and financial capital, which could lead to symbolic capital (cf. Bos-de Vos, Wamelink, and Volker 2016; Bourdieu 1986, 1993; Konrad 2013; Scott 2012). The prioritization of artistic quality by many creative firm founders is a manifestation of their attention focus, because, as suggested by Klamer (2011: 155), 'the artistic content is their passion and commitment; everything else, including the economics, is subsidiary'. Such an artistic commitment sets in motion reiterative value conversion processes, given that the attention focus of the founder is on the activation of those other forms of capital, including, but not limited to, financial. A key finding of the present study is that founders of larger creative firms in the Netherlands strive for quality, impact and revenues/profit, and feel that firm development relates to all three. Creative firm development as a value-based yet socially embedded process (cf. De Clercq and Voronov 2009) starts with a product quality that leads to revenues if a firm can create reputation advantages (cf. Blackburn et al. 2008). For some firms, the quality of their contractors is key, because their reputation will spill-over onto the firm's, which leads to a greater retention and attraction of high-quality employees.

Hiring highly qualified employees or 'valuable, rare, imperfectly imitable and non-substitutable' individual talent (cf. Abecassis-Moedas et al. 2012: 325) appeared especially at stake in digital design and advertising, characterized by a so-called 'battle for talents': firms compete for scarce employees, who tend to choose the employer with the best reputation. Human capital is then again converted into symbolic and economic capital (cf. Blackburn et al. 2008; Scott 2012), and, as long as the firm-owner is able, capable and willing to organize such conversion processes (by hiring the right people, investing in reputation-increasing activities, etc.), a business may continue to develop. A founder's knowledge of this field-prescribed habitus (knowing how to play the rules of the game) (Bourdieu and Wacquant 1992) gives a business the legitimacy to 'fit in' (De Clercq and Voronov 2009) creative industries, which is a precondition for further developing.

Extant literature has regularly exposed that many creative entrepreneurs see the creation of value more in visionary terms than in monetary terms (Bergamini et al. 2018; Klamer 2011; McKelvey and Lassen 2018) and that creative firms try to accommodate to a double-success criterion while experiencing tension, even a paradox or ambiguity between artistic value and commercial or business value (Caniëls and Rietzschel 2015; Caves 2000; Eikhof and Haunschild 2007; Round and Styhre 2017; Townley and Beech 2009). This is by our informants not experienced as a major

hiccup: all express the primacy of the artistic or creative product or service; if that is of high quality, revenues follow automatically, so they testify. While seminal works of literature suggest that arts producers that prioritize the 'art for art's sake' deeply care about the integrity of the artistic output while ignoring costs or revenues (Caves 2000), or that making a profit is considered as a taboo, particularly by their peers (Abbing 2002; Klamer 2011), this is not what we find in our study of market leaders and followers. All firm founders in our study have a strong inclination to be commercial next to their content focus, because that allows them to fulfil their creative dream. Running a profitable firm is respected among peers, as testified by an informant (DD): 'About five years ago, I attended a sector meeting with 60 members. At the parking, 35 Porsches 911 were stationed, of which we were not ashamed. It was a signal of how well it goes with us and with our market'.

Knowing how to play the game is a precondition to firm development, but knowing how to play it better than others in the industry may lead to growth: a founder's values are important in this, but a deep understanding of the industry, adequate strategic decisions and a good portion of luck serve as well.

Creative firm growth: expansion strategies

Reaping crucial first-mover advantages has helped a number of firms in our sample to gain their current market positions. Specifically, in creative industries, market expansion by means of internationalizing and/or digitalizing could have led to an entrepreneurial leap. When turning to international markets, service firms in particular (architecture, industrial design, digital design, advertising) do not necessarily acquire more consumers or contractors, but they rather seek for higher visibility and recognition. Internationalization can lead to prestige projects, and in that manner 'enrich' the firm. Internationalization as a strategy running through the consecutive steps of orientation, exploration and effectuation, is conditional upon the personality and the cognitive focus of the founder (Vanderstraeten et al. 2020), but also depending upon the resource-munificence of the industry and market position of the firm. Our data expose the prototype of the flexible designer operating in a growing market (such as (serious) gaming, digital design); when she/he has the aim to grow the firm, she/he uses symbolic capital and digitalization as instruments to internationalize. Again, profit maximization is never the end goal. Instead, this entrepreneur strives for profit and impact. Equally, our study exposes the profile of a more traditional firm-owner who is operating in a market that is not so much affected by increasing demand, often a winner-takes-all market (fashion, architecture, music). Those entrepreneurs tend to be more focused on the sustainability of their firms if they are operating in a niche, or on staying at the top if they are market leaders.

If one characteristic distinguishes the market leaders from the followers within our sample, it is the way they have dealt with digital opportunities over the years. The market leaders have clearly reaped a first-mover advantage and benefitted from the entrepreneurial orientation at firm-level (Lumpkin and Dess 1996): proactiveness, innovativeness, and competitive aggressiveness have benefited businesses as in music and digital design. Here, the attention focus of the founder and resource-munificence of the industry lay at the basis of market expansion by digitalizing. In this respect,

many of the market leaders of our study have been pioneers who have incurred the costs of constructing market demand with no guarantees of success, but, as first-movers, they have succeeded in creating a market (cf. GA, DD, MU) and growing (Blackburn et al. 2008). Our data expose the prototype of the producer of reproducible goods who benefitted from the emerging platforms and lower production costs, and that of the B2B-firm that has been swift to respond to the changing needs of important clients and grew with those clients.

In conclusion, for a firm to take up a position in the top tier of the industry, it takes more than gradually developing and fitting in; firms need to also 'stand out' (De Clercq and Voronov 2009).

Drawing lessons from creative industries

The firm growth process

Even if the growth process was not our principal research objective, our findings elucidate growth patterns that were recognized in creative industries' research and may serve to understand firm growth beyond creative industries. Scholars converge in the opinion that firm growth is not linear but rather episodic or erratic, consisting of distinct stages, interruptions, growth surges and reversals (Blackburn et al. 2008; Garnsey, Stam, and Heffernan 2006; Greiner 1972; McKelvie and Wiklund 2010). For creative industries in particular, Sigurdardottir and Candi (2019) find consecutive stages of growing and shrinking, which they coin as an 'accordion' growth strategy and ascribe to the precedence of artistic priorities over business goals. In a similar vein, the firm growth process for design sectors is found to be iterative between conceptual and material stages, and going backward and forward between inspiration, framing, validation and prototyping stages (Paris and Ben Mahmoud-Jouini 2019). The capital conversion processes and resource allocation decisions highlighted in the present study likely lead to a growth process that is all but linear. For small firms that do not dispose of much capital reserves (as in our study), starting up an internationalization process is time-consuming. Firms offering services (as in architecture) seek for reputation enhancing projects, of which the execution can take many years. Other creative products and services are experience goods of an infinite variety (Caves 2000), frequently innovative and original, making their receptiveness in new (international or digital) markets hard to predict. As a result, next to time-consuming, the growth process can be a highly risky endeavour characterized by trial and error, and leading to bumpy growth patterns in which successes and failures succeed one another. Such an alteration between successes and failures is highly prevalent in creative businesses, but also to be expected in other businesses, especially those that lack the exclusive focus on accruing financial returns.

Assessing firm growth

In our study of creative industries, neither size nor profitability is the most accurate reflection of how successful a creative firm is. The recognition by the market (fans), peers or experts (Wijnberg 1995, 2004) comes closer, but a true indicator of success for the firms of our sample, is their impact. It is known that workers in creative

industries are driven by a deep intrinsic motivation and strong desire to express themselves and innovate, and they persist in their jobs out of 'idealism' and the feeling of fulfilling a lifelong dream which they do not want to give up easily, even when it is difficult to make ends meet (Cnossen, Loots, and Witteloostuijn 2019; de Klerk and Hodge 2021; Kohn and Wewel 2018). In a similar vein, firms led by creative individuals strive for an increase in reputation and symbolic capital: the attention focus of their founders is not on extra people, but better people, not on more projects, but higher-quality projects. As a result, correlations between the age and the size of successful creative businesses should not be expected (cf. Penrose 1959). Older firms can be relatively smaller. Richard Caves (2000: 4) writes that 'skilled crafts persons often do express pride in or concern for the quality of their work and the goods they turn out, but economics seldom see this interest as affecting the organization of production'.

Growth is not always an indicator of success because the objectives of founders/managers may vary (Delmar and Wiklund 2008) and may comprise 'anything but growth in terms of employment and turnover', including mere business survival, financial independence or other personal or household motivations (Hart, Prashar, and Ri 2021: 2).

This is equally found in recent contributions on social enterprises (Rawhouser, Cummings, and Newbert 2019) and to the resource-based view of the firm (Barney 2020), leading to the concentration on profit as the only and ultimate desirable result of an organization's activities to become increasingly more interrogated. While a firm's growth and success are still typically expressed in terms of inputs (employees, investment funds) or outputs (revenues, profits), a firm's assets, and particularly its intangible assets (Garnsey et al. 2006) could serve as an additional qualifier of its quality and impact, typical of, but not restricted to, creative industries.

Conclusion

The present study contributes to the expanding literature that seeks to explain how dual performance goals, management paradoxes and identity struggles are dealt with in creative industries (Caniëls and Rietzschel 2015; Caves 2000; Eikhof and Haunschild 2007; Jacobs and Cambré 2020; Nielsen, Norlyk, and Christensen 2018; Round and Styhre 2017; Schediwy, Bhansing, and Loots 2018; Townley and Beech 2009), by elucidating how market leaders succeed in combining their artistic premises and their ambition to have an impact with financial and market requirements. By successfully merging such various imperatives, some firms grow and become 'winners' in the creative industries that were found to be winner-takes-all markets (Frank and Cook 1996). Our study explains the size differentiation in creative industries on the basis of a founder's attention focus and values, which may lead to firm development and, possibly, growth. Creative entrepreneurs in this study do not strive for profit maximization. They strive for impact and profit, the latter not to maximizing levels but instead to satisficing levels that allow the firm to invest if warranted. Because quality is their 'raison d'être' and because goods and services are heterogeneous, creative firms engage in a quality competition and seek to overcome information problems (Caves 2000). Therefore, creative firms proactively seek for peer, consumer, and expert recognition, and, where possible, they try to create it.

The creation of symbolic capital may lead to a comparative advantage, because it signals a reputation of good quality to (potential) contractors, consumers, and (future) employees. Symbolic capital is used as a signal of quality to reduce demand uncertainties, but comes at a cost. Mobilizing symbolic capital is important for these firms, because of its capacity to snowball into economic capital (cf. Scott 2012). By having attention for these processes of value creation and conversion, founders have developed the successful firms of our sample.

However, exponentially growing takes more. It requires market expansion that originates in the attention focus of the founder in combination with the resource-munificence of an industry. For some creative firms, tapping into foreign markets leads to firm growth. Our study demonstrates that entering foreign markets does not necessarily nor directly leads to growth in terms of employees or revenues, but more to an accretion of a creative firm's symbolic capital or impact. In some creative industries only, being a first-mover in digitalization has led to growth opportunities. Different paths lead to firm growth, which in creative industries, until recently, largely benefitted from the strategic digitalization and internationalization efforts of alert firm founders.

Disposing of a 'deluge of data' common to case studies (Eisenhardt 1989: 540), could serve more profound triangulation (Eisenhardt 1989). Hence, a limitation of our study is that our findings have not been substantiated with financial data, such as the presence or absence of formal or informal venture capital, income from royalty payments related to IP and public business support schemes that could have affected growth. Furthermore, in a small domestic market as the Netherlands, market expansion is expected to be a precondition to growth where in other settings, other opportunities could be available (Blackburn et al. 2008; Gouvea et al. 2021). Future studies can validate the robustness of our findings and test the moderating effects of contextual factors on business development and growth where the bottom line of profit is absent (Kaplan 2020).

Notes

1. The expressions 'firms in creative industries' and 'creative firms' are used interchangeably, while the latter formulation may refer to firms in other industries as well. In a similar vein, the notions 'firm founders' and 'entrepreneurs' are used when referring to the key individual responsible for the firm's decisive actions and strategies.
2. The case selection was facilitated by the help of the Dutch Ministry of Economic Affairs and Climate, and the trade associations ModInt, BNO, The PopCoalitie, the DDA, BNA, VEA and DGA.
3. Scott (2012) relies on Pierre Bourdieu (1986, 1993) to interpret cultural entrepreneurs' (i.e., music producers) general economy of practices, by an examination of how Bourdieu's alternative forms of capital are available resources to be mobilized and converted into building a career.
4. According to Wijnberg's selection theory (1995, 2004), market, peer or expert recognition can be the goal of a firm and form the basis for a firm's performance.

Disclosure statement

No potential competing interest was reported by the authors.

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