

Strategic Performance Management and Creative Industry

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Abstract

The creative industry has in recent years drawn much attention from the side of both scientists and policy-makers in the area of urban planning and industrial policy. The question is however, whether the assumed innovative and successful potential offered by firms in the creative industry is justified on economic and managerial grounds. The present paper aims to provide a critical review of the current creativeness fashion by addressing in particular the critical success factors and the high performance conditions of firms in this sector. On the basis of general principles from strategic performance measurement of business firms a systematic analysis for assessing the performance of creative firms is proposed. Specific attention is paid to the lessons from the strategic performance management literature for measuring the successes (and failures) of creative firms in modern innovative industries. This paper aims to offer the basis for a systematic framework for evaluating the competitive performance of firms in the creative industry.

1. Creativity as a New Departure for Scientific Research

The past decade has witnessed an avalanche of interest in research and policy on creativity, predominantly as a result of the work of Richard Florida (2002, 2003, 2004) on creative industries and creative classes in creative cities. Creativity has become a strategic signpost for a new orientation regarding economic, technological and social innovation in a modern society. Research on creative behaviour is clearly on the rise. It has prompted new research and policy attention for the institutional, behavioural and attitudinal dimensions of innovation in a dynamic and competitive space-economy.

It is noteworthy however, that creativity research already has a long history grounded in behavioural research in the social sciences. Already in 1950, Guilford (1950) focussed attention on the driving forces of creative productiveness in his presidential address to the American Psychological Association. He in particular addressed the impact of education and training on creative routines of people. In subsequent decades the focus of social science research has mainly been on the development of statistical measurement techniques for creative abilities, largely from the perspective of experimental psychology. Groundbreaking quantitative research was undertaken in particular by Torrance (1963, 1966, 1972, 1981), who has offered the foundation for the solid statistical research tradition on measuring creativity nowadays known as the TTCT (Torrance Test of Creative Thinking) method (see for a review inter alia Fasko, 2001). Modern creativity research is mainly inspired by two sources: innovation research and urban incubation (or urban seedbed) research. Innovation research has become a very topical research issue that is originating from global and local competitiveness challenges, urban industrial dynamics, economic-technological transformations and adaptive management capacity (see inter alia Porter, 1990; de Groot *et al.*, 2004; Nijkamp, 2004; Poot, 2004). Incubation research refers to the spatial – often urban - conditions for economic growth and development, such as urban entrepreneurial climate, local ICT facilities, R&D infrastructure, and Marshallian districts etc. (see e.g., Markusen, 1996; Scott, 2000).

In general, creativity is a multidimensional composite concept that comprises three elements: technological creativity (innovation), economic creativity (entrepreneurship) and cultural (or artistic) creativity (see Florida, 2003). All these elements constitute important conditions for local development in global competitive economic system. Consequently, the locational behaviour of creative people and entrepreneurs is critical for the emergence of local wealth. Creativity research in the context of innovation and entrepreneurship issues has mainly focussed on two issues: (i) which branches of the economy belong to the creative sector? and (ii) what is the economic significance of firms belonging to the creative industry (CI)? The first issue has induced many studies on definitional questions. In general, there is a widely shared belief that the creative sector

has two components: (a) specific industrial branches such as the arts sector, the media and communication sector, and the cultural sector; (b) specific parts of all other economic sectors, with the common feature that they specialize in the creation of new ideas, concepts, and inventions (e.g. dedicated consultancy services, think tanks of corporate organizations). The second issue has led to many empirical and case studies in which for a given city or region the economic importance of the creative sector is assessed, often making use of ad hoc statistical data and methods. Far less attention has been given to the success conditions that shape a creative climate in a city or region. Research on creativity conditions has often uncritically resorted to general findings from the innovation literature, but in many cases specificity on local and entrepreneurial drivers was lacking.

This is regrettable, as recent changes in the business environment has dramatically changed the scene of entrepreneurship and local or regional development (Bagranoff *et al.*, 2002). Factors such as increased competition, changes in the regulatory environment, the impact of technology, growing globalization, or the quality of the organization became more important, while shifts in customer behaviour and expectations have created a turbulent business environment in which the ability to continuously adapt to change is critical for success (Hoopes and Hale, 1999). There is indeed a need for a profound analysis of the success conditions of creative firms.

In order to come to grips with such changing circumstances, innovative business activities and operational performance challenges as well as to develop systematic strategic tools and approaches that build and measure the CI-firm's capabilities to continuously compete and renew themselves, the need for an efficient Strategic Performance Management (SPM) and performance measurement system (PMS) has increased over the past decade. SPM may be defined as: "*The process where steering of the organisation takes place through the systematic definition of mission, strategy and objectives of the organisation, making these measurable through critical success factors and key performance indicators, in order to be able to take corrective actions to keep the organization on track*" (Waal, 2001). To assess in practice SPM, an operational PMS has to be designed. The most popular PMS in practice is the Balanced Scorecard (BSC) method, developed by Kaplan and Norton (1992; 1996a, b; 2001a,b). The BSC is a strategic management system that uses critical success factors (CSFs) and key performance indicators (KPIs) for translating an organization's mission and strategy into a balanced and comprehensive set of integrated performance measures (Ho and Chan, 2002; Brignall, 2002). The performance measures should provide a complete picture of a CI-firm's progress towards the achievement of its mission and goals (Ho and McKay, 2002). The BSC contains a varied, multidimensional set of performance measures, which is essentially a combination of financial and non-financial measures organized according to four distinct perspectives, viz., financial performance, customer relations, internal business processes, and the organization's learning and growth activities

(Kaplan and Norton 1992; Lipe and Salterio, 2000). Basnett (2001) has argued that for each of these BSC perspectives the strategic objectives, measures, targets and initiatives need to be identified and agreed upon. The SPM literature offers a wealth of operational concepts for investigating the performance conditions of CI-firms. The aim of the present paper is to offer an overview of the current state on the measurement of SPM and to outline its implications for creativity research and policy. First, section 2 discusses the general strategic importance of SPM for business policy. On the basis of this general background, Section 3 describes recent development in SPM with particular attention for cause-effect chains. Next, in Section 4 we map out the advantages and disadvantages of SPM analysis for firm performance. And finally, we outline the opportunities of SPM analysis for urban creativity research and policy in Section 5.

2. Strategic Performance Management as a Business Signpost

Economic growth may manifest itself on different levels, e.g., at the individual, firm, local, regional, sectoral or national level. Clearly, these levels are interlinked (as is, for example, clear from the theory on Marshallian districts) and have various driving forces in common such as competition and productivity. Baum *et al.* (2001) distinguish five constituents of high-productivity business performance, which is resource of economic growth:

- *human capital*: a collection of cognitive abilities acquired by means of education and experience;
- *social capital*: a set of (real or virtual) resources that is accessible by individuals or organizations as a consequence of (formal or informal) network relations;
- *knowledge capital*: a set of valorized assets stemming from knowledge and research applications (e.g., patents, licenses, industrial spillovers, local spinoffs);
- *financial capital*: all financial means that are available for inducing innovation and entrepreneurship (including venture capital);
- *entrepreneurship capital*: a collection of features (e.g., risk behaviour, innovativeness, creativity), which are essential for starting a new business or for coping with fierce competition.

Creative firms normally belong to the innovative part of the industrial system and tend to be rather competitive through their resilience and flexibility. In this context, Sak and Taymaz (2004) distinguish four sources of flexibility that may enhance the competitive power and economic performance of CI-firms: new technology, labour, adjustment, systematic (networking) connectivity, and market dynamics (easy entry and exit strategies) In the same vein, Barney *et al.* (2001), Saxerian (1994) and Sushil (2000) argue that adaptability and agility are decisive factors for effective price, quality, marketing and management strategies.

In general, a thriving business environment is based on an effective realization and input usage of the above five factors. According to Youngblood (1997) and Clark and Clegg (2000), in order for CI-firms to achieve sustainable success, they must continuously anticipate on changing circumstances and build a flexible capacity for continuous adaptation of their organizations. They cannot always manage change, but they can manage actions to deal with that change. They therefore have to be able to execute the following general tasks (Neely, 1997; Brooks and Weatherston, 2000):

- analyze how economic and social changes affect their businesses now and in the future;
- anticipate the rapidly changing circumstances within the industry or region and manage these changes;
- build a capacity for continuous adaptation of their organizations in order to achieve sustained high performance;
- translate strategy into action at each level within the organization in order to bring the business strategy to successful life;
- focus on *‘doing the right things right’* which implies that the link between information and successful management action in the business environment is essential;
- maximize the organizational members’ contribution and commitment of employees to implement the successful strategy;
- be aware of the antecedents that are available to help them manage their businesses most effectively¹;
- have the right information at the right time to make the best decisions and take the best actions;
- see to it that strategic goals are met, by using as monitoring methods such as CSFs and KPIs.

SPM has become in recent years an important vehicle for business management that is used in numerous ways (Kaplan and Norton, 1996b; Chow *et al.*, 1998; Zairi and Jarrar, 2000; Niven, 2002; Andersen *et al.*, 2006). For instance, to perform health checks throughout organizations; to clarify and translate vision into operational strategy; to communicate and link strategic objectives

¹ Daniels (1999) describes an antecedent to be *“a person, place, thing or event coming before behaviour, which encourages organizations to perform or behave the way they do. Examples of antecedents are such things as goals, objectives, packaging incentives, job descriptions, policies, procedures, standards, rules, regulations, meetings, tools, raw materials, and conditions of work, directions and instructions”*.

and business measures; to set targets and align subsequent strategic initiatives; to enhance strategic feedback and learning; to monitor the overall performance of the organization; to set strategic direction and use measurements to ensure adherence to this direction; to use performance levels to conduct detailed operational planning of activities and processes; to develop cost estimates for products and services based on past performance history; to base production planning on up-to-date performance data; to establish early warning through monitoring of key indicators; to influence and alter employee behaviour to promote desired changes; to establish incentives through focusing on specific performance indicators and using performance data as basis for bonuses and rewards; to improve project evaluations; to use performance data as a communication tool for providing feedback; and to check the effectiveness of past decisions and plans. Has this broad coverage of SPM been successful in practice?

Various literature sources, case studies and practical experience (Hronec, 1993; Lynch and Cross, 1995; Lingle and Schiemann, 1996, 1999; Kaplan and Norton, 1996b; Rheem 1996; Atkinson *et al.*, 1997; Armstrong and Baron, 1998; Waal, 2001; Lawson *et al.*, 2003) show that companies who have implemented SPM perform better, financially as well as non-financially than companies that are less SPM-driven. The currently most popular SPM system in business practice is the in section 1 mentioned BSC. Both the popular and scientific literature indicate that there is evidence that the BSC is now in use in approximately 70% of medium-to-large firms in the US and Europe, as well as in many governmental departments (Silk 1998; Marr and Neely 2001; Rigby 2001; Williams, 2001; Speckbacher *et al.*, 2003; Neely *et al.*, 2004; Marr *et al.*, 2004). However, many authors have reported that numerous organizations have implemented SPM systems with mixed results (Abernethy and Lillis, 1995; Ittner and Larcker, 1995; Chenhall, 1997; Perera *et al.*, 1997; Banker *et al.*, 2000; Ittner *et al.*, 2003; Kaynak, 2003; Said *et al.*, 2003; Davis and Albright, 2004; Neely *et al.*, 2004). It is therefore important to ask whether the SPM concept is useful for analysing and insuring future financial performance – or other achievement indicators - in CI-firms (Norreklit, 2000; De Haas and Kleingeld, 1999). It is essential to know whether the implementation of SPM systems in CI-firms will yield the benefits as predicted by the literature. This is a relevant issue in the light of the great potential of CI-firms. A critical review whether the SPM concept, and specifically the BSC, is a valid model in CI-firms is certainly warranted. In recent years, many studies (Davis and Albright, 2004; Dumond, 1994; Hoque and James, 2000; Groves and Valsamakis, 1998; Neely *et al.*, 2004; Robinson, 2004; Scheipers *et al.*, 2004; Lovell *et al.*, 2002; Shulver and Antarkar 2001; Malina and Selto 2001; Braam and Nijssen, 2004; Papalexandris *et al.*, 2004; Sim and Koh 2001; Tapinos *et al.*, 2005; Lawson *et al.*, 2005; Kald and Nilsson, 2000; Hoque, 2003) have highlighted the fact that further

research is required to achieve a greater understanding of the variables, in particular the construct of the BSC, the linear causal chain of the BSC, and the reasons behind the implementation of SPM. Clearly, in the research agenda the role that SPM, and specifically the BSC, can and maybe should have in CI-firms deserves a prominent place.

3. Strategic Importance of SPM

In past decades there have been considerable changes in the traditional post-war methods of performance measurement (Kald and Nilsson, 2000). The traditional approach focused mainly on financial indicators, such as sales turnover, profit, debt, and return on investment. It was based on standards set up to measure worker performance, and looked mainly at individual performance and hardly at the core business performance (Kanji, 2005). In the 1970s and 1980s, fundamental transformations in industrial systems created a challenging business environment, which prompted organizations to call for insight into their business activities and operational performance at all times. The growing importance of these changes further intensified the need for alternative control and performance measures (Davis and Albright, 2004) to allow businesses to stay competitive and profitable (Zeng and Zhao, 2005).

Many academics and practitioners have over the years criticized traditional management control in general and performance measurement in particular (Kaplan, 1983; Ittner and Larcker, 1998a; Behn and Riley, 1999; Foster *et al.*, 1996; Banker *et al.*, 2000; Kald and Nilsson, 2000) and the ways in which companies plan their operations and monitor performance (Johnson and Kaplan, 1987; Brimson, 1991; Ittner and Larcker, 1998a; Behn and Riley, 1999; Foster *et al.*, 1996; Banker *et al.*, 2000; Kald and Nilsson, 2000). Traditional SPM systems are increasingly seen as less satisfactory because these systems contain one-dimensional financial information, lack a match between the company's competences and its dynamic business environment, lack a strategic focus, have a retrospective orientation and short-term vision, and have a weak strategic content (Kald and Nilsson, 2000; Bourne *et al.*, 2003; Kanji, 2005).

These shortcomings enticed organizations to search for measurement systems that supported them better in the challenging business environment (Waal and Counet, 2006). Therefore, there has been a growing interest in changing and improving management control systems. According to Frigo and Krumwiede (1999), 30 to 60 percent of organizations re-engineered their SPM systems between 1995 and 2000. Organizations recognized the importance of non-financial measures of performance for both managing and evaluating their achievements (Ittner and Larcker, 1998a; Behn and Riley, 1999; Foster *et al.*, 1996; Banker *et al.*, 2000; Kald and Nilsson, 2000; Malina and Selto, 2001) as financial figures alone did not identify the elements that may lead to good or

poor future financial results (Kanji, 2005). It is thus important to understand organizational excellence, which potentially leads to the success of a business in the future (Kanji, 2005). Kaplan and Norton made a significant contribution to overcoming some of the limitations of traditional SPM systems by introducing the BSC in 1992 (Kanji, 2005), by designing a SPM system that links the company's long-term strategy to the day-to-day operations (Kald and Nilsson, 2000). The BSC seems to be one of the first SPM methods that really succeeds in translating mission and strategy into financial (lagging indicators) and non-financial indicators (leading indicators) that can lead to action (Waal and Counet, 2006). As mentioned, BSC adopts four main angles to get a balanced overview of the organization's performance and to check whether the organization's strategy execution is still on the right track (Kaplan and Norton, 1996a; Zairi, 1992; Sureshchandar and Leisten, 2005) as depicted by Figure 1.

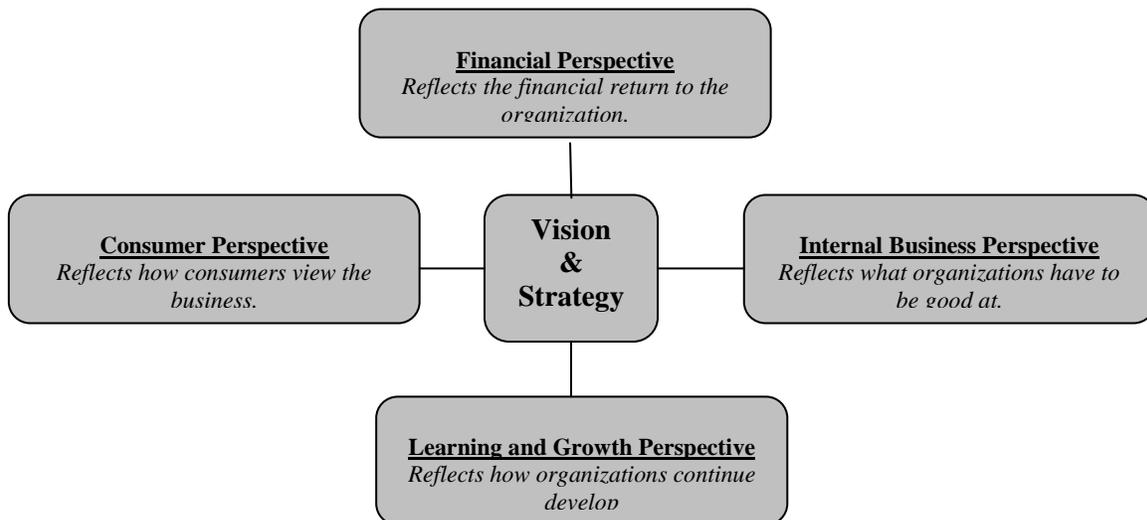


Figure 1. The four perspectives of the Balanced Scorecard

Each perspective reflects an important dimension of the company's business (Kald and Nilsson, 2000). Since the four perspectives are equally important in the long run, they should be balanced against each other; that means that structurally no one perspective should be allowed to predominate over the others (Kald and Nilsson, 2000).

The primary focus of the BSC is on translating the organization's vision and strategy into specific objectives and measurements organized around the four perspectives (Zairi, 1992; Letza, 1996). The model (see Figure 1) starts with translating vision and strategy into four perspectives (Financial, Consumer, Internal Business Process and Learning and Growth perspectives) (Basnett, 2001). The financial perspective deals with factors that can create sustainable growth in shareholder value (to succeed financially); the consumer perspective defines the value proposition

for targeted consumer segments (to achieve vision); the internal business processes perspective aims to measure areas of internal excellence required to deliver customer satisfaction (to satisfy shareholders and customers) and the learning and growth perspective is intended to measure an organization's capacity to innovate, continuously improve and learn (to achieve vision) (Basnett, 2001; Sureshchandar and Leisten, 2005). As mentioned before, for each of these perspectives the strategic objectives, measures, targets and initiatives need to be identified and agreed upon (Basnett, 2001). The BSC is not without criticism (Kanji, 2002). Though Kaplan and Norton made various efforts to demonstrate the impact of the BSC (Kaplan and Norton, 2000; Neely *et al.*, 2004), their approach has been to use largely anecdotal cases (Neely *et al.*, 2004). In general it can be stated that much work has been carried out on the design and deployment of SPM, but relatively little on their impact (Bourne *et al.*, 2000; Neely and Bourne, 2000; Neely and Austin, 2000; Franco *et al.*, 2003; 2000; Neely *et al.*, 2004) and there is relatively little evidence on whether the SPM concept and the BSC actually work in CI-firms. Sureshchandar and Leisten (2005) and Hammer *et al.* (2007) noticed that the BSC has failed, through incorrect identification of non-financial drivers (CSFs) and poorly defined metrics (KPIs), to address the requirements of all stakeholders because it primarily focused on financial and consumer perspectives. The 'difficulty' of the BSC is linking together the measures of the four areas in a causal chain, which passes through all four perspectives (Brignall, 2002). The BSC follows essentially a linear one-way approach to SPM (Kaplan and Norton 1992): it starts with the learning and growth perspective and culminates in financial results outcomes (Brignall, 2002) as depicted in Figure 2. However, in several studies the linear causality relationship between the four perspectives has been questioned (Epstein *et al.*, 2000; Norreklit, 2000; Kanji and Moura, 2002; Salterio and Webb, 2003; Malina and Selto, 2004). Several authors have voiced additional criticism at the BSC approach (Butler *et al.*, 1997; Atkinson *et al.*, 1997; Epstein and Manzoni, 1998; Otley, 1999; Norreklit, 2000; Hoque and James, 2000; Hoque, 2003). One of these criticisms is the BSC's architecture with four components (Otley, 1999; Brignall and Modell, 2000; Norreklit, 2000; Bessire and Baker, 2005; Morard and Stancu, 2005). Some analysts question the balance among these four perspectives and the way to construct an 'effective' BSC in relation to the strategy (Hoque, 2003). According to Park and Huber (2007) the scorecard should not be just a collection of performance indicators. They state that without a clear understanding of the perspectives and principles of the scorecard, users of the scorecard might fail to link indicators of performance drivers to outcome measures by means of cause-and-effect relationships.

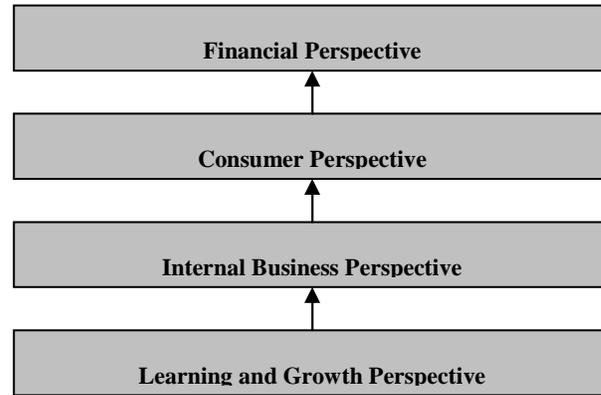


Figure 2. *Balanced Scorecard: linear and one-way chain of cause and effects (Kaplan and Norton, 1996a)*

Thus, empirical studies provide mixed evidence on the strategic benefits from the implementation of SPM and specifically the BSC. Much research offers no convincing support - or at the best mixed evidence - of the linear, one-way cause-effect relations among the four perspectives. This calls for further research into the actual benefits of SPM. A recent study by Kourtit (2007) has reviewed the broad literature on this issue and presented the advantages and disadvantages of SPM in summary form (based on 28 literature sources).

(a) Financial advantages

In general, the changes and increases in scorecards outcomes and financial performance have encouraged organizations to continue using SPM. Various sources (Malina and Selto, 2001; Sim and Koh, 2001; Davis and Albright, 2002; Waal, 2002; Ittner and Larcker, 2003; *Said et al.*, 2003; Braam and Nijssen, 2004; Davis and Albright, 2004; Epstein *et al.*, 2004; Neely *et al.*, 2004; Robinson, 2004; Scheipers *et al.*, 2004; Lawson *et al.*, 2004) claim that organizations implementing SPM were able to achieve an increase in revenue (10 literature sources); an increase in profit (9 literature sources); and a higher gross profit (9 literature sources). These findings suggest that the introduction of SPM has had a positive impact in terms of revenue, sales and net profit. Interestingly, it was found that organizations who had higher net profit and sales, once they removed the SPM system for whatever reason, both sales and net profit dropped. Many organizations experienced a significant cost savings that can be attributed to the introduction of SPM. Other organizations reported a 4 percent increase in employee satisfaction and customer satisfaction, leading to a rise in revenues. Some organizations also experienced a reduction in overhead costs of 25 percent in three years.

(b) Non-financial advantages

The literature review also suggested improvements in non-financial performance for organizations that implemented SPM. Various studies (Dumond, 1994; Mooraj *et al.*, 1999; Kald and Nilsson, 2000; Malina and Selto, 2001; Shulver and Antarkar, 2001; Sim and Koh, 2001; Lovell *et al.*, 2002; Waal, 2002; Baraldi and Monolo, 2004; Bititci *et al.*, 2004; Brown, 2004; Heras, 2004; IOMA. Business Intelligence at Work, 2005; Lawrie *et al.*, 2004; Neely *et al.*, 2004; Papalexandris *et al.*, 2004; Robinson, 2004; Scheipers *et al.*, 2004; Self, 2004; Lawson *et al.*, 2005; Tapinos *et al.*, 2005) claim that organizations that implemented SPM experienced an improvement in internal communication of the strategy (7 literature sources); closer collaboration and better knowledge sharing and information exchange between organisational units (6 literature sources); better understanding of how the business works and becoming an effective strategy-focused organization (5 literature sources); better focus on the achievement of results (5 literature sources); better quality performance information (5 literature sources); better strategic alignment of organisational units (5 literature sources); higher operational efficiency (4 literature sources); improvement in management (3 literature sources); better understanding of people of the strategy (3 literature sources); improvement in the decision-making process (3 literature sources); improvement in the involvement of personnel into the organization (3 literature sources); more clarity of people of their contribution towards achievement of the strategy and goals (3 literature sources); more innovativeness (3 literature sources); better achievement of organisational goals (3 literature sources); higher pro-activity (3 literature sources).

In general, SPM appears to be a powerful tool; it provides concise, predictive and actionable information about how a company is performing and may perform in the future. Our literature findings suggest that the introduction of SPM has had a positive impact in terms of a better communication and alignment of the strategy. Through a better communication of the strategy, managers across the functional areas of businesses also shared a common understanding of the strategy of the organization and how each area contributed to the achievement of desired objectives. Findings, based on the experience of organizations, also reported a better knowledge sharing and information exchange between organisational units. Furthermore, organizations also experienced a better focus on what is important for the organisation and the achievement of results. SPM appears to motivate and influence people to conform their actions to the organization's strategy. Organizations also experienced SPM as very helpful in establishing a creative culture of process-orientation and stressing the importance of integrated activity chains as pillars of an innovative style of managing. The introduction of SPM and a creative style of

management that came with it resulted not only into enhanced strategic awareness among top and middle management but also into a significant shift in ‘governance policy’ at board level. The anticipative creative thinking to understand the need for change sharpened the vision for the future of the organization and the way it intended to fulfil its mission.

Disadvantages

Our findings from the 28 literature sources also showed that organizations have experienced disadvantages of the implementation of SPM, but only in non-financial terms. We will offer here a concise overview. Various studies (Dumond, 1994; Kald and Nilsson, 2000; Malina and Selto, 2001; Sim and Koh, 2001; IOMA, Business Intelligence at Work, 2005; Braam and Nijssen, 2004; Neely *et al.*, 2004; Papalexandris *et al.*, 2004; Robinson, 2004; Self, 2004; Lawson *et al.*, 2005) have shown that organizations often have too many performance indicators (4 literature sources); while there were several questions as to the strategic content of the information, rise in bureaucratic reporting, less transparent data, too general data, too many retrospective data, and so forth. We may conclude that the preferred approach is likely to be to co-ordinate the information by developing the performance indicators at each organizational level from the overall organization’s objectives and strategies.

4. Relevance and Opportunities of SPM for Creative Firms

SPM is an important vehicle for enhancing productivity and competitiveness in an open economy. Accurate performance management helps to obtain a more focussed strategy and a stronger business accountability through effective improvements in operational management, in motivating employees, in more appropriate technological foresights, in effective organizational adjustments, in marketing and communications outreach and so forth (see e.g., Bryant *et al.*, 2004; Lawson *et al.*, 2004; Robinson, 2004; Scheipers *et al.*, 2004; Tapinos *et al.*, 2005). Which lessons can now be drawn for CI-firms? Organizations in the creative sector start often as informal or less structured SMEs. They mirror the economic dynamics of localities and incorporate the ‘animal spirit’ of starting entrepreneurs. Their birth rate is often high, but their survival chances are not always solid, as their creative and spontaneous nature makes them vulnerable, especially if their activities are not supported by professional management and expertise. Their innovative character induces a high degree of new business initiatives, but this advantage should be supported by a solid strategic management of innovation in business life in a competitive environment. Creative firms are of course business firms that have to obey the basic laws of economics. And therefore, a test on the viability and vitality of creative industries – as signposts of new local-economic dynamism - should be based on the question whether such firms meet the criteria of SPM, and hence are able to deliver an economic performance that is

comparable to their peers in other branches of the economy. CI-firms normally have a high degree of volatility and flexibility and are less driven by structured management concepts. Does SPM have anything to offer to such firms? To answer this question, one ought to recognize that a PMS has two functions: it supports management as an internal thermometer and it offers strategic comparative information by means of benchmarking. SPM, if developed and used in an informal and tailor-made way, can act as a signpost for complex business decisions in a competitive environment. At the end, CI-firms will also be forced to be pro-active and competitive in order to survive in a regular market economy. To enhance productivity in a competitive CI-environment calls for effective information that may be provided by a creative SPM system. In conclusion, SPM may offer a strategic mechanism and decision support system for exploiting the economic potential of CI-firms.

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