

Forming Competitive Advantages of Cultural and Creative Enterprises From the Perspective of Heterogeneous Resources

ZHANG Jie^[a]; WEI Yaping^{[a],*}

^[a]Management School, Tianjin Polytechnic University, Tianjin, China.
*Corresponding author.

Supported by National Social Science Foundation of China 2012 (No.12BGL039) and Humanities and Social Science Research Program of Ministry of Education (No.11YJA630142).

Received 25 September 2013; accepted 2 December 2013

Abstract

Heterogeneous resources are the foundation of enterprise competitive advantage; they are formed during the long-term operation. They are valuable, scarce, not completely copied and not entirely replaced. Combining with the investigation of cultural and creative enterprises in Tianjin, this article analyzes the characteristics of resources in cultural and creative enterprises, and proves the existence of heterogeneous resources in such kind of enterprises. Dividing heterogeneous resources into physical heterogeneous resources, human heterogeneous resources and organizational heterogeneous resources, this article attains to explain the relationship between heterogeneous resources and enterprise core competitiveness, and explores the path of forming competitive advantages of cultural creative enterprises.

Key words: Physical; Human; Organizational; Heterogeneous resources; Competitive advantage; Cultural and creative enterprises

ZHANG Jie, WEI Yaping (2013). Forming Competitive Advantages of Cultural and Creative Enterprises From the Perspective of Heterogeneous Resources. *Management Science and Engineering*, 7(4), 68-73. Available from: URL: <http://www.cscanada.net/index.php/mse/article/view/j.mse.1913035X20130704.Z002> DOI: <http://dx.doi.org/10.3968/j.mse.1913035X20130704.Z002>

INTRODUCTION

In recent years, many scholars begin to pay close attention to the development of cultural creative enterprises in our country. Under the fierce competition, how can the cultural creative enterprises gain competitive advantage? Based on the study of traditional enterprise, resource-based view thinks the enterprise competitive advantage come from the heterogeneous resources. Actually, not all the companies have heterogeneous resources, which are formed through the integration and development of homogeneous resources. As creativity is the core of cultural and creative enterprise, they are different from traditional enterprise. Whether they are suitable to the relevant theories of traditional enterprises, whether we can analyze their formation of competitive advantage from the aspect of heterogeneous resources has not been systematically researched yet. In order to provide a theoretical reference for the administrators of cultural creative enterprises, this paper aims to address above research questions.

1. REVIEW OF RELEVANT THEORIES

1.1 Development of the Concept of Heterogeneous Resources

The concept of heterogeneous resources develops on the study of enterprise competitive advantage. In the attention to the enterprise growth, scholars realize that enterprises in the same industry under the same institutional arrangement exists differences; it raises the concept of heterogeneous resources. Penrose (1959) argues that the enterprise heterogeneity is likely to be featured by its different control resources, which not only include traditional sense of the manufacturing resources, but also include entrepreneurial ability, corporate management team, production technique and other factors. Since then, RBV theory represented by Wernerfelt (1984) argues that

the enterprise is the set consisting of a series of resource bundles. With enterprise growing, enterprise competitive advantage stems from the long-term accumulation of heterogeneous resources. Although this theory has described heterogeneous resources as the internal resources that are valuable, scarce, which can not entirely replaced and copied, why are heterogeneous resources still made no identification? Barney (1991) argues that identify resources can be divided into physical capital resource, human capital resource and organizational capital resource. Physical capital resources include technology, plant, equipment, location, and the supply of raw materials, etc. Human capital resources include corporate training, experience, knowledge, relationships, and employees' ability, etc. Organization capital resource include internal formal structure, formal or informal planning, control and coordination system, informal relations of enterprises and internal enterprise. Based on the viewpoint above, scholars try to categorize heterogeneous resources. Along with the development of the market, scholars put forward more views according to the features of different enterprises and organization structure. Cheng (2005) argues that a good enterprise culture is heterogeneous resource. In the study of technology-intensive enterprises, Cassinan thinks that enterprise knowledge resources exist considerable heterogeneity among different nodes in the network of technological innovations it leads to the heterogeneity of enterprise competence. Adler and Kwon regard the network structure as heterogeneous resources; it will affect the performance and growth of enterprise network, and ultimately affect the market structure. Dang (2010) argues that organizational resources heterogeneity and relationship resource heterogeneity directly affect the formation of enterprise core competitiveness.

1.2 Enterprise Competitive Advantage Theory of Heterogeneous Resource-Based Perspective

Analyzing enterprise competitive advantage from the perspective of economics, most studies focus on the heterogeneity of the enterprise. It can roughly classify into two aspects: one is to find causes for enterprise heterogeneity, and the other is to analyze the properties of enterprise heterogeneity and its relationship with the enterprise competitive advantage. Based on "Enterprise Resources—Enterprise Ability—Enterprise Growth" theory framework established by Penrose, the enterprise growth mainly depends on the effectiveness of utilizing of existing resources. RBV theory argues that heterogeneity among various enterprises is determined by the strategic resources; their illiquidity makes the enterprise heterogeneity can last long. Enterprise competitive advantage stems from heterogeneity resources featured by value, scarce, not completely copied and replaced. Peteraf (1993) argues that there exist differences between enterprise resources and ability. Those enterprises with high production resources can

gain a competitive advantage. Dierickx, Cool (1989) argues that heterogeneous resources cannot be purchased from the factor market. It just can be completed through the enterprise internal dynamic accumulation. Williams (1992) argues that learning is the only source of persistent competitive advantages. Heterogeneous resources can be utilized and absorbed during the learning process.

2. CHARACTERISTICS AND HETEROGENEITY OF CULTURAL CREATIVE ENTERPRISES RESOURCES

According to the Cultural Development Plan Outline in the 11th Five-Year Plan Period released in 2006, the concept of cultivating creative groups and content providers is mentioned for the first time, the cultural and creative enterprises in our country develop rapidly. Some of the more developed cities, such as Beijing, Shanghai, Shenzhen, and Tianjin have formed cultural creative industrial parks and provided a creative atmosphere and appropriate policy environment for these enterprises. Beijing put forward a precise classification standard in 2007 in order to establish scientific, systematic and feasible statistics of cultural creative industry. It defines that the cultural creative industry contains nine kinds of enterprises, including cultural art, press and publishing, radio, television, movies, software, network and computer services, advertising, exhibition, art exchange, design services, tourism, leisure, entertainment and other auxiliary services ("Cultural and creative industry classification standard in Beijing", 2007). In addition to the support of external environment, the enterprise growth should be derived from accumulation of resources. What characteristics do the cultural creative enterprises have?

2.1 Characteristics of Cultural and Creative Enterprises Resources

2.1.1 Diversity

With the core of creative resources which could create value, cultural and creative enterprises stem from the cooperation and restructuring across industries in different areas. Their operating activities not only include traditional producing activities (design, research and development, manufacturing, etc.) but also include psychological service activities (art, culture, information, leisure, entertainment spirit, etc.). The species of the resource involved in the operating process of traditional enterprise tend to be single, usually limiting to a given area or its boundaries. In order to meet the needs of the enterprise operation, the particularities of cultural and creative enterprise above lead to the diversity of its resources.

2.1.2 Regional Culture

Cultural creative products tend to be artistic, spiritual, intellectual, psychological, recreational, and possess dense local cultural color. The indigenous culture originates

in the ancient society, along with the development of economics and society, different countries and regions have different manifestations, thus forming the regional cultural characteristics of resources in cultural and creative enterprises.

2.1.3 Intangible Resources

In the era of knowledge economy, knowledge capital occupies the main position in the capital structure; and intangible resources have taken the first place. The invisible resources mentioned here include intangible assets in the conventional sense, and the creativity of creative talents and its output.

Knowledge capital is divided into explicit knowledge and tacit knowledge. Explicit knowledge can be spread by normal language, including patent, special technology, etc. As knowledge intensive enterprises, cultural and creative enterprises have higher knowledge capital investment. They are different from traditional enterprises that generally invest more in plant, equipment and other fixed assets. An investigation of the financing situation of cultural and creative enterprise in Tianjin was launched by Cultural System Reform Leading Group Office in Tianjin, Tianjin Polytechnic University and Tianjin Culture Industry Association in June 2012. According to the 218 effective questionnaires, accumulated 42.11% of companies possess intangible assets in the form of proprietary technology, trademarks, patents, copyright and copyright; 37.22% have fixed assets. It shows that intangible assets are an important part of them. Tacit knowledge is usually hard to disseminate or express in words, including talents and intellectual output, etc. Individuals and organizations formed it through long-term accumulation. When asked about enterprise's main technical sources, 58.67% of enterprise develop core technology independently, 26.02% cooperate with others, only a few firms get major technology by outsourcing. It shows that cultural creative enterprises depend highly on research and development capabilities, leading talent to be a crucial factor. Under investigation, 56.5% of firms regarded talents as the primary limiting factor in their development. How to attract high-quality creative talented person is the biggest issue facing start-ups and small cultural creative enterprises. In a word, creative talents and their intelligence output are the important intangible resources owned by cultural and creative enterprise.

2.2 Heterogeneous Resources of Cultural and Creative Enterprise

In the RBV theory, the unique social historical course and situation experienced by firm are vital factors to create inimitable enterprise resources. The creative resources involved in the cultural background are formed during long-term accumulation, and cannot be purchased from the market and unable to trade. The regional differences of culture are hard to be absorbed by enterprises in other

areas. With the deepening of global economic and cultural exchange, this difference is gradually weakening.

2.2.1 Physical Heterogeneous Resources

RBV states that heterogeneous resources are the source of enterprise competitive advantage, their quantity and quality determine the position of enterprise in competition. As the center of assets structure in technology intensive cultural and creative enterprises, intangible assets play an important role in enterprise marketing management and a core part of enterprise material heterogeneous resources. In addition, core technology, advanced equipment, special regional culture, unique geographical location, and irreplaceable raw material supply are all the presentation of enterprise heterogeneous resources.

2.2.2 Human Heterogeneous Resources

The value of cultural creativity also comes from resource reconfiguration; same resource can form new value through diverse combinations. Transforming homogeneous resources into heterogeneous resources, there are two factors contribute to the creative process. First, creative talents play a key role in transferring original idea to the final product. Their features of scarcity and hard to alternative are signs of heterogeneous resources. Human heterogeneous resources include not only talented person, but also entrepreneurs' individual ability, heterogeneity of enterprise internal training experience. With the insight and judgment into the value of customers, entrepreneurs' personal ability can provide unique value. Most of the cultural creative enterprises are small and medium-sized enterprises in the start-up period or growth period, 70.64% of the surveyed firms established in a range of 1-5 years, 44.49% in the range of 1-3 years. Entrepreneurs' peculiar capacity is of great significance at this stage for enterprises.

2.2.3 Organizational Heterogeneous Resources

Second, the management team is also vital in creative activities. Business develops gradually along the track of specific management and technical path in the long-term production practice. The ability and behavioral practice of the management team have been integrated into the organizational system and enable enterprise to form unique business philosophy and operating style. It is the trait of organizational heterogeneous resources, which also include corporate culture and unique relationships with partners. Matching with the competitive strategy of the company, corporate culture is capable of forming cohesion. The unique relationship between enterprise and partner can accelerate business growth.

Heterogeneous resources in cultural creative enterprise reflect physical, human and organizational features on the above analysis. Therefore, this paper divides heterogeneous resources into physical heterogeneous resources, human heterogeneous resources and organizational heterogeneous resources.

3 ROLE OF HETEROGENEOUS RESOURCES IN THE FORMATION OF CULTURAL AND CREATIVE ENTERPRISES COMPETITIVE ADVANTAGE

3.1 Theoretical Frameworks of Heterogeneous Resources and Competitive Advantage in Cultural Creative Enterprises

The establishment of theoretical frameworks (Figure 1) between heterogeneous resources and competitive advantage is based on the firm growth theory made by Penrose (enterprise resource-enterprise competence-enterprise growth). Heterogeneous resources are the foundation of gaining competitive advantage in RBV theory. They make enterprise can obtain excess profit through producing high quality, low cost and unique products. On the left side of Figure 1, heterogeneous resources of cultural creative enterprises are divided into physical heterogeneous resources, human heterogeneous resources and organizational heterogeneous resources. Nonetheless, not every cultural and creative enterprise possesses all these heterogeneous resources. Managers need to identify which kind of heterogeneous resources exists in their enterprises, and to develop these heterogeneous resources.

On the right side of the figure is the formation process of enterprise core competence. According to the enterprise core competence theory, resources work by transforming into ability. Core competence is the key capability established and strengthened through the long-term process. It is a knowledge system able to maintain a sustainable competitive advantage and access to the stable excess profits. However, not all

the resources have strategic value and the potential to become enterprise core competitiveness. The formation of enterprise core competitiveness goes through three stages: development, cultivation, application. Enterprise knowledge theory argues that this process is also an accumulation of knowledge.

Once formed core competitiveness, enterprise still cannot permanently maintain a competitive advantage. The process of the formation of long-term competitive advantage is from the middle part of the chart to the right. According to Dynamic Theory, enterprises must adapt to rapidly changing market environment. In order to ultimately achieve long-term competitive advantage and the goal of enterprise growth, enterprises should restructure and redirect the existing core competencies.

3.2 Formation Path of Competitive Advantage in Cultural and Creative Enterprises

3.2.1 Heterogeneous Resource Identification and the Development of Core Competitiveness

There are nine categories of cultural and creative enterprises in the classification criteria of Beijing. Since each type of enterprise resource is not same, its heterogeneous resources are also different. For example, the prominent physical heterogeneous resources in tourism and leisure entertainment enterprises are the unique scenic landscape and human culture, but it is intangible assets in software and computer service companies. Therefore cultural and creative enterprises should analyze specific business conditions in identification of heterogeneous resource and core competence development.

Cultural and creative enterprises can develop a competitive advantage through cultivating physical heterogeneous resources, with the intangible assets and other resources such as core technology which

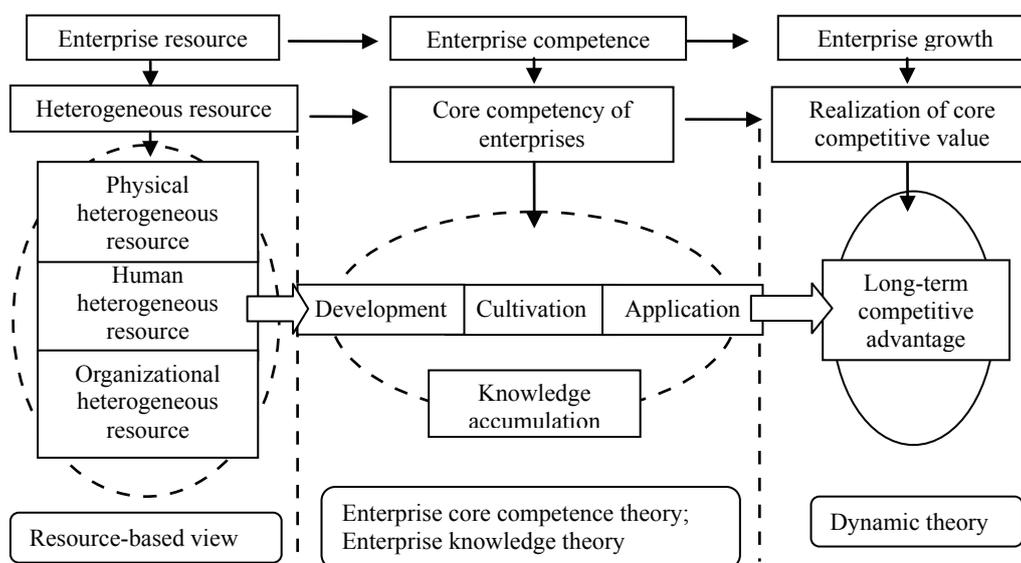


Figure 1
Theoretical Frameworks of Heterogeneous Resources and Competitive Advantage

competitors do not have, forming technical advantages of the industry in a short time. Due to the cost of learning is expensive, competitiveness formed by this resource is hard to imitate. Enterprises with special regional culture, unique geographical location and supply of raw material can create unique products; such as some tourism and leisure entertainment companies with unique raw material supply begin to supply organic, original ecological food and travel. This not only can attract more customers, but also can improve the unit price, forming competitive advantage while obtain more profits.

Only through human intellectual labor can physical resource be utilized, the recognition of human heterogeneous resources is of significance in developing core competitiveness. Competitiveness formed through these resources derives from the combination of knowledge and skills of employees. The innovative ability of creative employees ensures the scarcity of creative product on the source of design. Entrepreneurs personal ability also can bring advantages to the enterprise. Some entrepreneurs may have competitive advantage in the decision-making judgment or raising funds, while some may have strategic development vision. Creative talents can be gained through external recruitment and internal training. The experience in internal personnel training and training mode also formed competitive advantage.

The formation of enterprise core competitiveness will eventually be reflected in the organization. Excellent corporate culture can enhance organizational efficiency and form a set of values, ideas and beliefs agreed by all the staff. This cultural concept influences the behavior of employees, and guides each group member to consistent with organization goals. Cultural and creative enterprises focus on the corporation in various fields, developing the resources of unique relationship between enterprises can provide enterprises with more business opportunities and convenience. Take the C92 creative industrial park in Tianjin, for example, the enterprise there is mainly of designing, culture media and high-tech. The unique corporate partnership makes the park has formed a small local industrial chain, shortening the entire production cycle.

3.2.2 Cultivation of the Core Competitiveness and the Application

In order to achieve competitive advantage, resource should be absorbed and cultivated into abilities. The process of capacity-building is the accumulation of organizational knowledge, the coordination of various skills and organic integration of technologies. During the process, it is necessary to mobilize the enthusiasm of every department and give full play to the subjective initiative of employees, through technology system improvement, construction of organization and management system, nurturing of information system and other means, to cultivate the corporate core competencies.

Cultivating core competitiveness on the basis of physical heterogeneous resources, cultural and creative enterprises should focus on the development of patent technology, advanced technology maintenance, upgrading production technology and others. Enterprises should focus on the updating of R&D capabilities, and driving force that entrepreneurs play as, on the basis of human heterogeneous resources. As renewal speed of information is shorter, cultural creative enterprise should timely absorb cultural scientific and technological achievements. As human resource is the carrier of knowledge and skills, enterprises should promote communication between the employees and form learning resource system. It is also necessary to build organizational capability, cultivate good employee relationship and the relationship between enterprises. Building organizational capability is to form excellent enterprise execution. This process is mainly divided into two aspects: First, the establishment of a knowledge management platform is to create organizational learning ability and promote learning corporate culture. Second, set up a business management system and build a system of execution. Cultivating good employee-employer relationship and shaping employee's perceived organizational support can promote the formation of knowledge sharing willingness and knowledge sharing behavior, and enhance the ability to continuously innovate. Developing relationship between enterprises and partners can start from the industrial chain upstream and downstream of the production cooperative relations, technology development collaboration, material collaboration and marketing collaborative relationships and others.

3.2.3 Preservation of Long-Term Competitive Advantage

Competitive advantage is not eternal. According to the spirituality, experiential and entertaining features of cultural creative product, the fresh period of creative products is not long. With the gradual improvement of psychological satisfaction of consumer, the attractiveness of the creative product will decline. Temporary competitive advantage cannot last forever. Current failed enterprises may be the future potential competitors; they will constantly look for the competitive advantage and attract new attention of consumers. Once lost the competitiveness of enterprise, the original heterogeneous resources will gradually become homogeneous resources, competitive advantage and excess profits will disappear.

Therefore, cultural and creative enterprises should duly give up the original advantage, combining existing core competence and external resources with strategic complementary assets, exploring new interests of consumers, forming persistent competitive advantage through restructuring existing core competence, and then redirecting, transforming, integrating and creating new competitive advantage.

CONCLUSION

This paper studies the heterogeneous resources in cultural creative enterprises and their function in forming enterprise competitive advantage, and raises a classification of heterogeneous resources and its details. Based on the formation of heterogeneous resources and competitive advantage theoretical framework, this article discusses the path from identification heterogeneous resources to form long-term competitive advantage, in order to further explore the law of development of cultural and creative enterprise, and provide theoretical basis for management decisions making.

REFERENCES

- Barney, J. B. (1991). Firm resource and sustainable competitive advantage. *Journal of Management*, 17(1), 99-120.
- Cheng, L. (2005). Corporate culture: Building sustainable competitive advantage of heterogeneous resources, based on the analysis of Margaret A. Peteraf competitive advantage model. *Commercial Research*. (In Chinese).

- Cultural and creative industry classification standard in Beijing (2007, June 26). Retrieved from <http://www.bjci.gov.cn/292/2007/06/26/41@1942.htm>. (In Chinese).
- Dang, X. H., Li, Y. L., & Zhang, W. (2010). The effect of resource heterogeneity and the core enterprise formed in technological innovation network. *Studies in Science of Science*. (In Chinese).
- Penrose, E. T. (1959). *The theory of the growth of the firms*. London: Basil Blackwell.
- Peteraf, M. A. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14, 179-191.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-180.
- Williams, J. A. (1992). How sustainable is your competitive advantage? *California Management Review*, 34(3), 29-51.