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## Industry Boundary Perspectives and Opportunity Recognition within Creative Professional Service Firms

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# **Industry Boundary Perspectives and Opportunity Recognition within Creative Professional Service Firms**

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Industry Boundary Perspectives and Opportunity Recognition within Creative Professional Service Firms

**Aim of the Paper**

The aim of this paper is to extend insight into entrepreneurship within creative professional service firms (creative PSFs). Entrepreneurs within creative PSFs are both artists and professionals within a commercial organization. This peculiarity creates a dichotomy across firms within the sector depending on whether their capability development is more oriented towards developing novel or efficient solutions (Canavan et al., 2013) for their clients and this orientation is influenced by the driving motivations of the underlying entrepreneurs. Our preliminary research exploring entrepreneurship within creative PSFs suggests that entrepreneurs have varying perspectives of the boundaries of their industry. This is evident in the industry value chain relating to how competitive services are developed to address customer needs.

Our intuition guided by this preliminary research, together with calls by scholars within the field to explain how industry boundaries facilitate the recognition and exploitation of opportunities (Hoskisson et al., 2011) provided the basis for our study within the context of creative PSFs. Exploring this phenomenon within the creative PSF sector is particularly relevant and interesting because of the dichotomous conflict between art and business which enables richer theorizing and contextual insights to emerge through cross case comparison.

**Background Literature**

The phenomenon of entrepreneurial orientation (Ramachandran and Ramachandran, 1993) has become the focus of entrepreneurship literature for more than 30 years and is generally conceived as an organizational decision making tendency favouring entrepreneurial activities (Lumpkin and Dess, 1996). The assumption is that all firms exist along a conceptual continuum ranging from conservative to entrepreneurial (Barringer and Bluedorn, 1999, Covin and Slevin, 1989). However this explanation assumes that firms within a sector are homogenous and can be compared along a continuum. Within creative PSFs however heterogeneity exists in terms of how individuals perceive their profession and their industry, as suggested by the career identification literature (Ibarra, 1999, Thornborrow and Brown, 2009) and the individual motivation literature (Bennett, 2010, Bridgestock, 2011, Schein, 1990, Schein, 1996, Wils et al., 2010). For example, the entrepreneur within creative PSFs may identify with their profession in very particular ways and this may relate to career boundaries (Bridgestock, 2011) whereby he or she may perceive their career as more of a lifestyle choice common to other artists. They may alternatively hold a more pragmatic and traditional perspective of commercial enterprise, motivated by profit considerations.

Guided by this intuition and existing insights on heterogeneity within creative PSFs (Canavan et al., 2013), this study addresses gaps in our understanding of entrepreneurship by exploring how differing perspectives among entrepreneurs of their industry value chain can influence opportunity recognition and exploitation.

**Methodology**

While there have been many studies to explain entrepreneurial behaviour relating to opportunity recognition and exploitation it is not well understood how industry boundary perspectives affect the process. In particular given that creative PSFs exist at the crossroads between art, business and technology how entrepreneurs act within this dynamic requires particular consideration. We designed

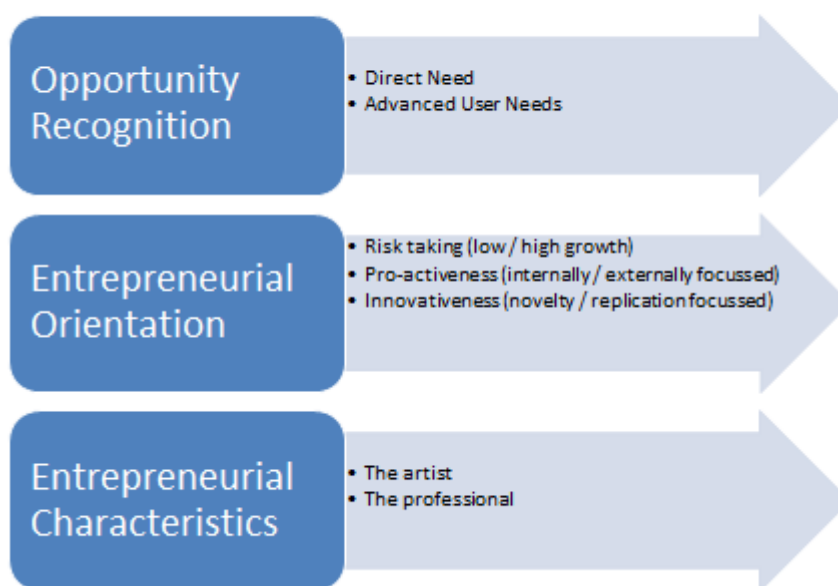
a qualitative study exploring the entrepreneurial process across a diverse sample comprising ten creative PSFs, selecting Irish architecture firms as our context. Architecture is a classic professional service (Von Nordenflycht, 2010) and a functional creative industry (UNCTAD, 2010). Other creative professional service sectors include advertising, fashion design, media production, graphic design and software development (UNCTAD, 2010, Von Nordenflycht, 2010). A multiple case study research design was particularly suited to the nature of this research (Eisenhardt, 1989, Welch et al., 2010, Yin, 1994). Our design adopted two units of analysis, the individual and the firm.

Once the empirical observations were identified and refined in our *first order analysis* we undertook a *second order analysis* to move findings to a theoretical level (Gioia and Chittipeddi, 1991). We adapted dimensions from the existing literature relating to entrepreneurial orientation (EO) (Covin and Slevin, 1989) to help explain the process. Following our second order analysis we formed our aggregate dimensions which identified the dichotomy existing within creative PSFs influenced by the behaviour of the key management. This enabled us to develop our framework explaining the entrepreneurial process within creative PSFs illustrated in Figure 1.

## Results and Implications

Our findings suggest that influenced by the characteristics of the entrepreneur the entrepreneurial orientation of the firm influences how opportunities are recognised (Figure 1).

**Figure 1: Opportunity Recognition Within Creative PSFs**



### *The Artist*

The Artist has a perspective of their role and function within society as a whole. Founders within these firms place high cultural value on their service suggesting that “when the architecture is gone, all the big communal belief they are all vanished, you know the evidence of it” (Beta #1). Despite this huge importance and value to society that the founders place on their service, they are not particularly high risk takers. The Artist is satisfied that a small impact in terms of volume of services can create a significant difference. They have no desire to manage growth in the firm and the loss of individual input that comes with that growth. Instead the Artist is highly selective in the work it engages in.

The Artist pays little attention to what its direct competitors are doing. Each project is treated as unique and the entrepreneur looks internally for creative ideas that create novel services. They are competing on the basis of artistic merit and put little effort into getting to know their competitors or

who they are competing with for specific service delivery. In this regard innovativeness comes from creativity involving the development of 'newness' into their service.

The industry boundaries for the Artist extend beyond the direct client need, but they are considering advanced users possibly extending to the general public.

### *The Professional*

Contrasting with the Artist, the Professional engages in a higher risk growth strategy, building its team and resources as opportunities arise. They are less selective in the services offered although these may be customized for particular markets depending on where the greatest opportunities exist. Entrepreneurs within these firms are comparatively high risk takers often investing their people and resources into markets that may take a long time to successfully exploit opportunities.

The Professional may be competing head on with others in their field to provide services that are not as highly differentiated as those of the Artist. Pro-activeness is focussed on activities in the external environment staying close to the ground through research and relationship building. Innovativeness for these firms is targeted on the ability to replicate a portfolio of services providing an efficient solution that addresses customer needs better than competitors.

The industry boundaries for the Professional relate to the more traditional interpretation of the value chain extending to the direct need of the client.

### *Implications*

Main Theoretical Implications: Industry boundaries and opportunity recognition by entrepreneurs.

Through the dimensions of entrepreneurial orientation (EO) (Covin and Slevin, 1989) we show the diverging approaches to opportunity recognition that creative PSFs engage in depending on their perception of industry boundaries. Our study contributes to entrepreneurship theory by showing that rather than existing along a continuum (Barringer and Bluedorn, 1999, Covin and Slevin, 1989) in terms of entrepreneurial orientation, firms within the same sector are also influenced by perspectives relating to industry boundaries which influences how they recognise and exploit new business opportunities.

Main managerial implication: The study shows a heterogeneous approach to developing entrepreneurial orientation within a sector influenced by key manager characteristics.

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