INVESTIGATING SOURCES OF CREATIVITY IN THE UK FASHION INDUSTRY:
A RESOURCE-BASED VIEW

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ABSTRACT
In creative industries such as fashion, availability and accessibility of required resources have huge positive influence on new product development success. By starting with the question on what makes a designer fashion SME successful, this research then grounded its focus on the area of new product development and design-driven innovation. This study employed a qualitative approach and used semi-structured interviews as a method of collecting data from the field. A two-staged research design were planned and executed. This study has suggested that patristic-symbiotic relationships between designer fashion SMEs and large high street retailers can be more complicated than the literature has stated when adopting a broader view to investigate sources of creativity from an industrial perspective.

INTRODUCTION
This study aims to investigate the sources of creativity in the fashion industry with the research emphasis on the relationship between high-end designers and high street retailers. Existing research outlines two key sources of product innovation: internally developed within the organisation or outsourced to third-party companies on either ad-hoc or an ongoing basis. In the fashion industry this is even complex which has included the development of fashion ranges in-house or the use of designers and even celebrities on ad-hoc basis. The research proposed to explore the relationship between the large fashion houses and the small independent companies and designers. This allows this study to explore whether a trade-off occurred between high-creativity versus commercial skill and viability.

Investigating the relationship between large and small companies in the fashion value chain has yielded an unexpectedly complex pattern of inter-relationships. The initial scope of the research was to investigate the sources of creativity in the fashion supply chain. Primary and secondary research conducted by the researcher to date has suggested that the traditional supply chain literature which defines a ‘make’ or ‘buy’ dyad may not be able to be so simply applied in the fashion sector. Specifically, that a third category of activity may be present, that is, diffuse. Referred to the findings of the exploratory research, this has included direct imitation, copying catwalk creations and fashion shows. This parasitic relationship between large and small companies warrants further investigation. Initial propositions that independent designers were commercially unaware and/or being subject to unfair practices, such as copying of designs by large companies, are still supported but the activity taking place is more complex than initially was believed to be the case, and this activity, now forms the focus of the study.

RESEARCH BACKGROUND
Since fast fashion strategy has been adopted widely, the fashion landscape has changed dramatically. Consequently, high-end designer businesses and high street retailers have become
the two still-standing players who influentially shape the fashion markets (Key Note 2009). The high end designer fashion sector takes the lead in contributing product innovations whilst high street retailers replicate catwalk looks and produce like-to-like products in a very short cycle time (Malem 2008). Given these circumstances, an integrative approach combining innovation competence and commerciality awareness suggested in the new product development literature is the key to achieve superior product innovation outcomes (Gerwin and Barrowman 2002). Arguably the reality tells a different story. In practice, these two competences are performed separately in two extreme types of businesses. More specifically, small independent designer businesses are excellent in creating innovative fashion products season after season whilst large established high street retailers are expert in mass production processes and product penetration. Sticking to either side of the spectrum namely innovation or commercialization seems to have become their unique formula for success. Thus investigating outsourcing in such highly-specialized context is needed in order to explain the insights how it has been formed.

The outsourcing literature is driven from perspectives of resource-based views (RBV) and transaction cost economics (TCE). The former has emphasized outsourcing is a strategic approach to acquire external knowledge in support to a firm’s core competence as a basis of securing competitive advantages (Quinn and Hilmer 1994; Quinn 1999). The latter has highlighted the cost efficiency viewpoint as the main concern shaping outsourcing decisions (Williamson 1981, 1989, 1991). In practice RBV and TCE considerations should go hand in hand to encompass both efficiency and effectiveness (Arnold 2000; McIvor 2009).

**RESEARCH METHODS**

Two stages of data collection were planned, both using qualitative methods. The first exploratory was conducted partly during London Fashion Week in the United Kingdom in 2010. London Fashion Week, held twice a year in London, is a gathering over 150 designers to show their work every season ranging from high-profiled recognised names such as Paul Smith or Jasper Conran to emerging young talents. In seeking to analyse sources of creativity the setting provided an ideal context as the show represents one of the key gatherings of new ideas and designs in the fashion world. Designers who showcased at the London Fashion Week venue were approached and asked to undertake a semi-structured interview on: *What are the sources of creativity in the high-street fashion industry?* In total twenty-one semi-structured interviews were conducted lasting on average thirty minutes. The other part of the exploratory research was designed to collect data from other industry insiders ranging from design staff working in the UK high street retailers, trend forecasters, mass market garment suppliers, public relations and sales consultancy, creative event organisers, to boutique buyers. In total twenty-three semi-structured interviews (face-to-face or via telephone) were conducted lasting on average thirty minutes. All the interviews were recorded and then transcribed.

Still, there are a few issues which cannot be answered by the exploratory research. Many independent fashion designers have stated in the interviews that they are aware of their roles in constantly creating something innovative to push the boundaries and shape next generation fashion, even knowing that their designs are commercially unviable. Some of them have chosen to remain small and independent to keep the freedom of being highly creative. This seems that creativity with limited association with commercialisation can be important to secure their creativity leadership position. Given that, the aim of the confirmatory research is to examine the
insides what shape a firm’s strategy of selecting which competence to develop internally whilst which competence to outsource. The research question then emerged, that is: **What are the competences required for successful new product development in the creative fashion industry?**

The second stage of research was conducted by using contact lists provided by the British Fashion Council (the hosts of London Fashion Week). In total twenty-six semi-structured interviews (face-to-face or via telephone) were conducted lasting on average an hour. Participants in the second stage of research were not the same as those in the first stage. In the second round of interviews designers were asked a range of questions that focused on the new product development activities and processes from idea generation to commercialization. Those questions were refined versions of those from the initial data collection stage and focused on how creativity as a resource is deployed through the fashion industry, for instance: ‘What are your experiences collaborating with large fashion organizations?’ , ‘Why did you choose to collaborate (or not)?’ , ‘Have you had any experiences with your products being imitated?’ No individual declined to answer any question that the researcher asked.

The data were then carefully analysed in a multi-stage process supported by the qualitative data analysis tool QSR NVivo. At the initial analytical process, a word frequency analysis was generated via NVivo. This groups similar terms to build a frequency table for categorising concepts efficiently and effectively. The next stage was to code the data, initially based on the researcher reading the text. This produced twenty-two separate codes which had been synthesised and reduced into the final ten codes by inserting sub-codes under each category including creativity, collaboration, copy, and ideas direct to markets. This process was important to theorise those initial presumption into solid concepts. During the synthesis process, the codes had been cycled and reassigned iteratively to make sure the codes provided the best meanings for the research.

**RESULTS**

The results, addressing the research questions previously proposed, have revealed the key finding indicating that the design-driven innovation process at the industrial level is rather interactive instead of being in a linear setting. Individuals or organisations involved in this innovation network tended to hold certain connections with other associated players. This facilitated innovative ideas to diffuse and broaden the innovation scope that could not be completed by a single company. The process mapping technique was used for the data analysis to help the researcher identify the sources of creativity and its diffusion pattern via the connections extended beyond the organisational boundaries. A complex innovation network has emerged, by connecting various types of process maps illustrated from the organisations ranging from designer fashion businesses, trend forecasting companies, PR and sales agency, as well as retailers. The innovation interactive network itself accommodates huge engagement of organisations either specialising NPD roles in design, manufacturing, and retailing respectively, or functioning as intermediate to joint parties together which makes creativity possible to diffuse to the market. This unquestionably involved a richness of resource acquisition across organisational boundaries. It is worth noting that a comprehensive innovation network in fact is constructed by two main NPD systems led by high-end designers and high street retailers.
The findings have confirmed that outsourcing in the highly-creative fashion industry is not dyadic make or buy. Instead, imitation by obtaining key information of product development via the third party is the alternative cost-least approach that indicated how high street retailers learn the latest innovative design ideas from the market. On the contrary, the insights underneath the surface provided reasons explaining the outsourcing strategy of independent designer businesses and their reactions to the fact that high street retailers taking inspirations from designer collections. The result revealed that most of the designer fashion businesses lacked resources to penetrate their products into the mass market. Co-developing products with high street retailers then was treated as a great opportunity to reach a wider market. This is because designer businesses were able to bring in commerciality awareness from high street retailers regarding their expertise in mass-manufacturing processes and mass market distributions. This is consistent with the outsourcing literature discussed in the previous section. Arguably, the impact of direct imitating the catwalk looks has been proved to be not always negative in practice. The result has shown that the pressure of looks being copied is in fact a driving force which positively motivates designer businesses to continue creating something new in order to fight for their survival. Along with the fighting accompanied by the business growth, established designer businesses gradually developing their competence in protecting their designs through acknowledged reputation as the high quality innovative designer brands. Branding themselves as a original creator of fashion which truly drives the fashion cycles was the most effective way to actually benefit from works being imitated by the downstream mass market retailers. It was also another approach to prove themselves to have the capabilities of creating the next generation fashion that is of potential to be diffused and widely accepted by the public.

DISCUSSION

The UK designer fashion historically has its reputation and unique position for, firstly, a wealth of creativity promoted by emerging talents and, secondly, a supportive environment that provides those emerging talents to showcase their invaluable creativity. These two main elements without a doubt go hand in hand and consequently differentiate London from other fashion capitals on the global fashion map. Thus, it is vital to investigate the UK fashion industry further in depth with aim of advancing the status that the UK as a major creative hub for fashion not only for now but also for the future. Research has highlighted differences between large firms and small businesses regarding how they facilitate innovation capabilities (Menguc and Auh, 2010). Small companies tend to be more innovative in terms of the products designed whereas large companies are more innovative in production processes (Terziovski, 2010). The research findings confirmed this activity, although highlighted that large firms were product-creativity resource poor to the extent they had disengaged all internal efforts in this area.

These findings suggest potentially a complimentary partnership between the small designer and large high street retailer. Two key resource sets emerge as critical for new product success in the fashion sector: (i) highly creative new products, and (ii) successful commercialization (marketing, production and market access). The findings indicated that small designers were expert at product based creativity (but lacked the resources to develop production competence) whereas in contrast large fashion retailers were expert in production and marketing processes but lacked skills in product based creativity. With both actors needing both product and process skills there is a potentially symbiotic relationship between these two groups. Large companies can benefit from working with small designers in terms of generating new products and ideas while the
small designer benefits from the route to market offered by the large retailer. Such a situation would be in the best tradition of agency theory - lacking a key resource, and with mutually beneficial gains available, the large fashion retailer and small designer could effectively collaborate to a positive outcome for both parties (Eisenhardt, 1989, Ellram et al. 2004; Tate et al., 2010).

In practice the relationships observed were not symbiotic in nature due to the parasitic tendencies of the large fashion retailers who used (or potentially abused) their power dominance to directly imitate the creative products of small designers without financial or other acknowledgement. Thus, rather than gain resources through the marketplace they are in effect stealing it from other (smaller) organizations. Somewhat bizarrely this parasitic activity can develop to a short-run mutually beneficial symbiotic exchange. Frequently where designs ‘stolen’ by large companies become successful the large organization will go back to the designer in the next season and ‘buy’ their creativity through commissioning of collections of creative products. Some small designers were actively seeking to push their designs to be stolen (through social networking and blogosphere tools) to try and benefit in this way - once an identifiable design is ‘stolen’ and mass produced, the designer becomes more valuable as a creative resource, and may be approached by many organizations seeking to contract them for the next season. However, the long term detrimental effects of collaboration, identified by many more experienced designers, often outweighed the short term financial benefits. The most savvy designers seemed content to operate in small niches of the marketplace, building a strong brand image to protect their creations from imitation. These (few) designers were also the ones who demonstrated the most expertise in process-resource activities, successfully commercialising their products. Ironically these skills were often gained through what they deemed to be harmful relationships with the large scale fashion retailers.

Resource dependency theory emphasises that a firm that lacks certain resources essential to its survival will seek to access those resources from other actors in the market (Pfeffer and Salancik, 1978) - essentially this was what the large fashion organisations were doing in seeking new creative products from small designers. However, the nature of this ‘acquisition’ does not fit neatly into RBV theory. While sub-contracting to small designers is parsimonious with existing theory, the ‘steal’ category identified is omitted from previous research in RBV. The power imbalance between small and large organization allowed the large company to act illegally, largely without consequences. However, this parasitic act also supported future symbiotic collaborations with small designers. This somewhat bizarre practice has not been previously identified in RBV research. Greater attention is needed on the power-balances that take place in outsourcing practices to support RBV research.

The unequal allocation of product- and process- resources or competences in the fashion marketplace has brought together two groups of organisations which operate in fundamentally different market segments. Traditional resource based and strategic management based views of the firm have ironically not focused on a resource-forward but market-backwards approach to analyze industries. The relationship between small designer SME and large fashion organizations highlights the limitations of such a viewpoint - even though the target customer and market segment is different, the core resource at the heart of the entire industry - creativity - is diffused among all the key actors regardless of who the end customer may actually be. This study has
proposed a ‘spiders web’ of relationships with the large organisation at the centre, snaring hapless designers and consuming their creativity before discarding them. The power imbalance between spider and insect leave the small designer not only powerless to prevent imitation of their work but actually leads some to actively seek out opportunities for such imitation to gain contracts in future years.

RBV theory has emphasized that only non-core, non-strategic areas of the business should be outsourced (Quinn and Hilmer 1994, Hamel and Prahalad 1994). This aspect of RBV theory becomes contentious when considering the fashion industry. Success by the large organization in this area is founded by one primary driver (continually introducing new, highly creative products) and supported by two secondary systems (rapid production and market access). RBV theory clearly emphasize that a primary driver such as creativity, if outsourced, would lead the large organization to failure as they lack any defensible asset. Our findings contradict this assumption - the large scale fashion houses have effectively abandoned the development of all in-house product-creativity resources (potentially their only source of sustainable competitive advantage), instead, outsourcing or acquiring it from the marketplace. The longer term consequences of this action are less clear. Considering process resource systems such as manufacturing and production these tend to outsourced to offshore (or increasingly near shore) producers leaving only market access, through retail store networks, as directly within the organizational boundary of the large fashion retailer. The role of the large organization becomes a facilitator - bringing in new product designs from small companies, then, using their purchasing power to sub-contract adapted large scale production out to other third party companies, finally, distributing the product to their retail network. If creativity is seen as the core competitive advantage (which in a creative industry would seem logical), then the fashion industry stands in stark contrast to established RBV literature. If production efficiency is offered as a potential alternate core competence for the fashion company, again findings dispute RBV literature which would dictate this activity take place within the organizational boundary. If distribution efficiency and market reach are seen as a core competence, then the organisations here would be in conformance with RBV theory - outsourcing other aspects of the business, while maintaining this structure in-house. The ‘front of house’ retail stores are largely undifferentiated across the high street sector, leaving the distribution structure as the sole basis of competitive advantage.

This study has sought to analyse the resource systems at work in a highly creative market. This has been shaped by a resource dependency view of the marketplace. The study has highlighted the limits in existing theories but also returned to a classical RBV approach in suggesting a way forward for organisations in this marketplace. These research respondents were in the majority small designers. That said, further research directly engaging with the large fashion retailer would be valuable to further investigate their motivations and potential future actions in redressing the unequal balance of power and resources in the industry.
REFERENCES