

RISK IN BUSINESS MODEL OPERATION OF CREATIVE INDUSTRIES

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ABSTRACT The theme of this articles refers to the creative industries and the operation of relevant business models (BM) in creative industries. What we today call the Creative Industry (CI) is, in fact, a combination of discrete, highly varied group of activities of quite distinct character. These activities have existed for a long time, but it was only at the end of the XXth century, that they began to be categorized into one set. It was a consequence of, among other things, transformations in the economy and the emergence of a new form called cognitive-cultural capitalism.

Introduction

Today's economies are developing on the foundation of the knowledge and creativity of people. The growth of the creative sector and its importance for the economics of cities and regions are more than ten years in interest of biggest research institutes. Moreover, the European Commission's strategy "Europe 2020" indicated the need to

develop structural policies aimed at developing creative and incorporate it into the strategy of the Member States, including at the level of NUTS-3.

CREATIVE INDUSTRIES are becoming increasingly key sectors of the economy. Especially now, when, more than technological resources, it is imagination, that causes the difference between entrepreneurs (Hammel, 2000). It was claimed that the “new economy” has creativity as a core, and that the creative industries are at the center of this (Towney, 2009). Flagship initiative “Innovation Union” of the Europe 2020 Growth Strategy and Green Paper – Unlocking the potential of cultural and creative industries, said that the full potential of creativity and design has to be exploited and the link between design, innovation and competitiveness defined. The European Design Innovation Initiative (EDII) was launched for this purpose. The aims of the initiative are in compliance with the identified needs: raise awareness of design and creativity as a driver for innovation; identify and enhance the role of design as a key discipline in realizing ideas and transforming them to user (citizen) friendly products, processes or services by organizations, enterprises or public services. The term **BUSINESS MODEL** was first coined in the late 80s (Timmers, 1988) and is a relatively new concept in the management literature as a product of the dotcom era. (Keen, 2006) The business model concept is about shaping the relationships between an organizational strategy and internet-based systems. (Hedman, Kalling, 2003) In e-business and e-commerce, a web-based business model is the method of doing business online through which a company generates revenue (Rappa, 2002).

Literature review

The technological revolution has changed the life of modern people in almost every aspect. Thus, a significant percentage of the time spent at work and on leisure has been shifted from the real world to the virtual world, shortening the geographical distance, the time to reach information, as well as the availability of products or services and the way of their distribution from producer to consumer. Undoubtedly, the technological revolution has changed our world and cultural behavior faster than Gutenberg’s invention. Analogue letter-based recording is increasingly being replaced by digital (binary) recording, which enables the information to be sent quickly and efficiently. This also changed the culture of communication, writing, reading, as well as the distribution and archiving of creative industry products. The portrait of the consumers of creative industries in the 21st century is shaped by: virtual reality and the world of social media, e-text, online games, file sharing and online shopping (Gołębiowski, 2012). Thanks to the Internet in a short period of time you can view selected offers, check availability, compare prices and monitor the progress of the order.

As a result, the creative sector has been undergoing dynamic changes in the way value is created and delivered to customers in recent years. These transformations are connected not only with the mentioned changes in customer behavior or fashion and market trends, but above all, the transformation of entities is caused by technological and IT developments. The consequence of this process is the increasing availability of creative products.

Method

The ecosystem in which the creative industries operate, together with mega trends – such as the mentioned digitization and serverization, put pressure on entities to constantly change their business model (Linz, Muller-Stewns, Zimmermann, 2017). Just as digitalization opens up new technological possibilities for companies and changes the way in which they develop, produce and deliver their offer to customers, so serverization causes a radical shift in value creation by introducing factors such as co-creation and individualization. Constant changes

in business practices are leading to the devaluation of business models. Therefore, it is appropriate to define the author, who says that the business model is a way of operating an organization in a specific business environment in order to achieve a defined business benefit. The business model should bring established flints throughout the life of the organization, and if it is no longer relevant it should be changed or rejected (Tomczyk, 2014). Changes in the business model are associated with the risk and resistance of the organization to the change.

Results

When changing business models or creating innovative business models, the risk element should be highlighted. Many entities have achieved their success thanks to innovations in the business model – in the way they offer existing products and services, which meet the current needs of their customers using the existing technologies. However, it is noticeable that in the literature of the subject one of the factors determining the value of innovation, i. e. risk, is very often not mentioned. More specifically, location of risks in the value chain associated with the creation, provision and use of products and services. When creating value chains, operators tend to focus on three of its components:

- revenues (price, market size and additional sales),
- the cost structure (direct and indirect costs, economies of scale and scope),
- the speed of resource usage (the rate at which used resources create value, which usually depends on the length of the order processing cycle, processing capacity, the length of the inventory trading cycle and the efficiency of asset use).

When designing a new model or modifying an existing one, the main sources of risk associated with this model should be explored and the extent to which the model is risk resistant. The non-exclusive list of the approach and use of risk in the business model consists of two approaches (Girota, Netessine, 2014). The first is to reduce the risks associated with the business model by means of:

1. Delaying production obligations by dynamising the production process. This often means acting against the trend of relocating production to cheaper countries in terms of labour costs and locating production in a place with higher costs. However, the benefits of reducing uncertainty about demand compensate for additional costs. This is the approach behind some very unusual innovations.
2. Renegotiation of agreements. Another way of mitigating the risk is to transfer it to another operator. As a rule, this requires changes in contracts with other stakeholders in the value chain: employees, suppliers and customers. Last but not least.
3. Acquisition of better data. Sometimes it is not possible either to radically shorten the production process or to change relations with stakeholders in the value chain. In this case, there is still room for improvement in the quality of the information on which the company bases its production commitments.

At the second pole of opportunity to maximize the potential for value creation is increasing risk – only if the entity has the right competence to manage it properly. According to economist R. Merton, it can be argued that companies create value also because they manage risk better than their competitors.

Conclusions

Risk-based innovation has one major advantage over other types of innovation: it is much cheaper. The implementation of product and technological innovations is based on a long-term process: generating multiple

ideas, reducing their number, prototyping, comprehensive feedback from customers and repeated experiments. In the meantime, however, risk-driven innovation can be implemented in a systematic way with little effort and the benefits and costs of such innovation can be easily and reliably estimated. Therefore, the use of trends while accepting and using risk can translate into market success and a highly efficient business model.

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