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Realization of Creative Economy Through Creative Mechanism: Focused on Business Model Innovation

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ABSTRACT

This paper explains the structure and strategy for a detailed mechanism and proposes a innovation strategy for business models with the focus on the realization of ‘Creative Economy’ through business model innovation. In doing so, the paper proposes ‘Creative Mechanisms’ as a business model innovation strategy with phase by phase mechanisms of ‘Business Creation’, ‘Business Expansion’, and ‘Business Upgrading’. In order to create a innovative business model, a differentiated business must be established by utilizing new business concepts such as imagination and ideas. The newly established models need continuous growth and development through the stabilizing mechanism. Simultaneously, to prevent imitations by competitors, a reconfiguration mechanism is required to maintain its newly found capacity and aim for higher profits by upgrading the model and keeping a close eye on the market. The key point is that these three mechanisms (building, stabilizing, reconfiguration) must work together as a business system or as a single ecosystem to become a true ‘creative mechanism’.

Keywords: Creative Economy, Business Model, Innovation, Mechanism.

1. INTRODUCTION

The world has changed from the industrial economy era to the knowledge economy era and now to the creative economy era (Howkins, 2001; Florida, 2005; CNSLC, 2012). This is due to the fact that traditional methods can no longer achieve economic growth as growth potential shrinks and uncertainty about the future increases. This shift in paradigm is dismantling the iron fortress forged to maintain status quo. Economic integration has opened protective markets and the mitigation of regulations has destroyed once care-free monopoly markets. The internet has driven brick-mortar companies into a corner, and the venture capitals are now investing millions of dollars to promote innovative venture firms. In addition, these

changes demand that we increase our horizon of awareness and may even force us to discard all existing business models. In such times how does one achieve consistent growth and prosperity and in particular, what capabilities and strategies are necessary to face the creative economy era.

In the creative economy era, the innovation of business models defines predominance in competition. Creative imagination and challenges become the foundation for growth and consistent predominance in competition (Hamel & Breen, 2007). Therefore, the most important strategic issue for present companies is not the illusion without action nor blind adventures, but rather creative mechanism through imagination and bold challenges (Woodman, Sawyer & Griffin 1993; Unsworth, 2001; Amabile & Khaire, 2008). Creative mechanisms aim to produce creative innovation that brings about new products, technologies, services, and business models that did not exist in this world. Especially Korean firms that have focused on operation effectiveness to reduce production cost as well as imitating and improving on existing technologies for decades need new skills, new management system, new organization culture to bring about successful management innovations.¹

Superior CEO capabilities were important when Korean firms took decisive action to invest in large scale facilities to target new markets. The original structure supported the CEO's decisive investments based on their keen insight and prediction of the future market, by having the rest of the organization focus on the details to realize the management's visions. However, time has come when no longer the capabilities of the management alone can develop the firms. The fast paced complexation and fusion of the industry has created new technologies and new values while changing the business models and production methods and dismantling the barriers between industries. Therefore, the capability of the firms to integrate and promote internal and external resources in accordance with the changes in environment have become essential (Teece, et. al., 1997; Teece, 2007). Rather than developing a specific technology and holding it, imagination and creativeness to secure unique business models and ideas create higher added value.

This paper focuses on the realization of the creative economy through the perspective of business model innovation by examining its detailed mechanisms. Specifically, this paper aims to fully grasp the structure of mechanisms to realize the creative economy that the Korean government is promoting. In the creative economy era, the firms must do more than expanding product lines and improving business process with IT. In other words, the creative economy calls for a systematic innovation with such a high price that firms must discard all existing business models.

Therefore, this paper will see the creative mechanism to realize creative economy as 'innovation in business model', and proceed with in-depth research on securing key capabilities and process establishment. The value of ideas and technologies are dependent on the business model (Hamel, 2000; Chesbrough, 2003; Teece, 2010). In other words, there are no inherent value in ideas and technologies but its values are determined by the business models to introduce these new creations to the market. Therefore, this research will include the business model innovation strategies in addition to the mechanism and the methods to realize creative economy.

This paper will be comprised of four sections. First in section 1 and 2 the paper will introduce the background for this research and present a detailed analysis of the significance and the factors related to creative economy. In the following section 3, this paper will propose creative mechanisms for business model

¹ Management innovation includes value creation from transforming the organization's structure and roles (Hamel & Breen, 2007).

innovation to pursue creative economy. The section will focus on the step by step detailed mechanisms of business creation, business expansion and business upgrade. In the concluding section 4, this paper will propose strategic implications and directions for future research to achieve true creative economy using this model.

2. THEORETICAL BACKGROUND

Creative Economy

Recently, Korea and many nations and firms searched for the basis of future strategy in creativity and creative economy has become the topic of new engine for growth. Specifically, the leaders of the world IT industry - Apple, Samsung, Google - have put an emphasis on not only the technology but also liberal arts and strive to improve creativity and thinking skills. This paradigm shift reflects the reality of today's business world where risk aversion due to recessions has become the new normal.²

On the other hand, firms now face the task of attracting the minds of stingy consumers while competing with rival firms that boast great efficiency. Thus, ideas to deal with these numerous conundrums have become the focus and have gathered fervor for creative economy that uses creativity as its main engine of growth.

Creative economy refers to a economic structure that creates power for growth and added value from people as its main means of production and yield instead of capital or land with creativity as the main value of the economy (Howkins, 2001; Suci, 2008; UNCTAD, 2010). Thus, the essence of creative economy lies within the fact that humanity's mental activity directly leads the creation of social wealth. The term creative economy was first coined by the British management strategist John Howkin's book 'The Creative Economy (2001)'.³ According to Howkins, creative economy is an economy where new ideas and creativity bring life to manufacturing, services, distribution (retail), entertainment industries.

Also, according to UNCTAD (2010), today's economy is composed of economy creativity, scientific creativity, cultural creativity and technological creativity. Creative economy is an evolving concept that has a basis on creative assets that can potentially seek economic growth. Suci (2008) define creative economy as the relation between creativity and economy that can connect creative value with wealth. He further insisted that the economic development of creative and innovative management activities are talent, technology, capital and know-how and that these key factors lie in the connection of comprising factors of people, ideas, resources and knowledge.

The creative economy emphasizes in particular the creative entrepreneur that will be the main agent that integrates these comprising factors. Thus, the Korean government pursues these ideas in order to vitalize various industries and reform the Korean economy and many strategies are being proposed to realize such results.³

² New normal refers to a new rising standard or norm that follows the change in era.

³ One of the commonly raised questions is the difference between Creative Economy and Knowledge-Based Economy. The Knowledge-Based economy has its direct basis in the creation, distribution and utilization of knowledge and information. Thus, Knowledge-Based Economy is a concept that shows the importance of knowledge based industries increase and create high added value and start affecting other industries. Creative Economy is an evolved concept of Knowledge-Based Economy that includes not only the high-tech industry but inclusive of all industries including manufacturing, service, retail and entertainment, etc.

This research follows the same context. However, this paper will uniquely explain not the macro focused national strategies but rather the micro focused detailed processes to realize creative economy in the firm's perspective. This paper aims to present a detailed blue print that focuses not on the normal perspective of developing new products and new technologies but rather in perspective of a drastic new business model for firms to realize the creative economy.

Korean firms have achieved drastic growth through the standard paradigm of cost effectiveness, and imitation through world-class management effectiveness. The standard paradigm heavily leaned towards improving management effectiveness and gradual technological innovation by concentrating on successful products and business models and standard technological routes and improving them. However, the new era calls for more than simply expanding product lines or improving business processes based on IT.

Creative economy in basis emphasizes on innovations that realizes creativity into reality through creative thinking and bold challenges. This is the new driving force that appeared after industrialization and the information era. This force must be used as a basis for creation of new businesses, growth and development. As such, business must lead the endless competition, and paradigm shifts in innovative management practices, and creative innovation to improve the dynamics of capitalism (Schumpeter, 1912). Then what is the way to realize the creative economy that could be called the firm's or the nation's overall success? And what business model and process would be needed? This paper seeks the answers in business model innovation.

Business Model Innovation

An observation of recent firm strategies would reveal that most competitors are becoming similar to one another. For example, 'Dell Computer's customized business model', 'Toyota's lean model' and 'Walmart's logistics management know-hows' are considered best practices that other firms of the industry imitate. Thus, successful new business models are being benchmarked by firms that lack the creativity to create their own business model.

However, this is not desirable. As described in the study of economics, this leads to 'perfect competition' where all the firms of the same industry pursue the same strategy and hold similar resources. In the perfect competition system, the possibility of excess earning diminishes while all firms create the minimum profit for survival. So, when recession comes the firms that failed to differentiate itself from its competitors might engage in indiscriminate fight for customers and cannibalism⁴ within the industry. Then what could reinvent these companies in the times where growth diminishes and uncertainty increases? The key of the issue lies in the following.

This paper seeks the answer in business model innovation. Business model innovation is the way to create differentiated value by changing the various factors that comprises the business factors dynamically according to the management environment changes (Hamel, 2000; Teece, 2010; Amit & Zott, 2012).⁵

⁴ There are no problems when it is imitation that can achieve strategic differentiation by being used in different business fields.

⁵ The term business model was first came into the public's attention when online firms started to rise due to the spread of internet and information technology, however, now it is utilized as a useful concept to understand the new competition methods of firms.

Thus, innovation of business models has large scope and effect and can become a threat that can make other competitors' business models obsolete. Hamel (2000) emphasized the innovation of business concept insisting that business model innovation is the only way to maximize the value of the company in this non-continuous era of transformation. Teece (2010) argued that business model innovation creates an advantage over the competition. He also emphasized the importance of creativity, observation, numerous customers as well as intelligence and information about competition and suppliers to design a new business model. In addition, innovative business models come when these factors these factors are discovered, learned and shows high adaptation to the management environment. Amit & Zott (2012) analyzed the business model of 190 firms that were listed in the America and Europe and proved that market strategy and business model were definite factors that affect the firm's bottom line. They further proposed several important implications to manager, businessmen and scholars.

Firstly, business model innovation represents the source of the future value that is not being fully utilized. Secondly, it is much more difficult to imitate a fresh new system rather than a new product or process. Thus, profit based on product or process innovation can be easily deteriorated or torn down. Thirdly, Business model innovation can become a strong tool for competition. Thus, managers must be prepared for the contingency that the competition is also making great efforts for innovation. IMB (2006) also conducted a survey and interview of 765 CEOs about the main factors for continuous growth of firms in the future. This revealed that business model innovation is the key factor to bring profit and strategically distinguishing factors in the future.

3. REALIZATION OF CREATIVE ECONOMY THROUGH THE CREATIVE MECHANISM

To create a innovative business model achieving creative economy, first one must establish a business model using a new business concept and keep continuously develop and stabilize the business model. Especially in the creative economy, the analysis unit of innovation is not the product but new business concepts⁶ like idea, imagination, information, knowledge. Thus, a new business concept or the ability to transform the existing business concepts into new ways is required. New business concept that reflects reality is the business model to realize creative economy is what makes these two concepts similar to one another. Logically, the first step of realizing creative economy starts with establishing a new business model.⁷

For this heightened adaptability for management environment and consistent efforts to upgrade existing business model is required. The important factor for a firm's success is not the amount of resources it owns but the capability of creating such resources (Rumelt, 1984; Dierickx & Cool, 1989; Stalk, Evans & Shulman, 1992). Rather than what kind of resources the firm possesses, but the ability of the firm to secure and accumulate such resources and how and what processes created these ability is the fundamental question. In reality numerous ideas are buried without trials or disappear from the market in a short period. This is because those who have ideas are not fully aware of how to establish an overall business model (Hamel, 2000; Chesbrough, 2003; Teece, 2010). Thus, a true creative economy can be realized when creative ideas are connected to businesses and good talent enters the market creating a virtuous cycle. (Figure 30.1) is

⁶ Of course, products, capital, equipment and other hardware-type traditional resources are utilized in this area.

⁷ Establishing new business models by utilizing new business concepts is business model innovation. A business process that facilitates the operations of these new business models can be considered one of the key factors of creative mechanisms.

the representation of the creative economy and its detailed mechanisms by stages of the business model by the abovementioned definitions.

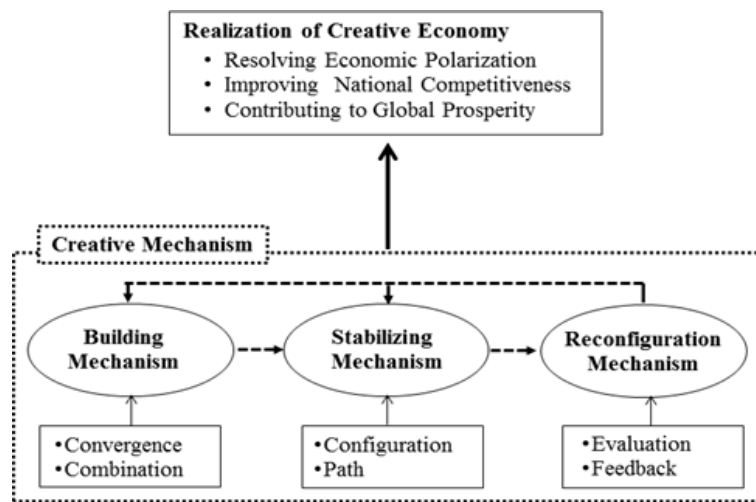


Figure 30.1: Realization of Creative Economy and the Creative Mechanism

Building Mechanism: Creation of Business

How does one create a innovative business model that can fundamentally satisfy the customer’s needs above the dimensions of new products or services? A new business model must be a result of creativity, luck and insight. Creativity recombines the various ideas that goes against the norm into a market competitive idea and ultimately realized into a product or a service and contribute to increased earnings of a firm (Pink, 2006; Hamel & Breen, 2007).

Therefore, a firm that focuses and pursues creativity is desirable, and itself can become a new management task (Amabile & Khaire, 2008; Woodman et. al., 1993). Also, observation helps identify where the wealth is located by nimbly detecting new opportunities and threats that come from external changes (Teece, et. al., 1997; Teece, 2007; Doz, et. al., 2001; Chesbrough, 2003). Especially, sensing the threats and opportunities from external environment is directly dependent on the intuitive insight of the management. Therefore, intuition that can draw up the blueprints of the business model is required for a business concept from creativity and observation can be realized into reality. There are no investors that are willing to invest fund in an idea that is not ripe yet. Thus, a manager must delicately develop business case with intuition (Kharti & Alvin, 2000).

On the other hand, the creation of these business models is not from intentional strategic processes. Rather they come from the fusion or combination of luck, passion, curiosity and ambition. Thus, when a architecture (structure) and system is created by combining or fusing internal and external business concepts, a whole new business concept or an existing business model will be differentiated in a another way (Johnson, et. al., 2008; Hamel & Breen, 2007).

Convergence is now receiving attention as the innovative factor that helps the economy leap forward in this age of infinite competition, a essential mean that creates new power for growth by reorganizing the main industries of today into premium industries and create new industries. Convergence is the act of

creating new value based on existing knowledge⁸ new perspective and creativity. Thus, the strategic resources that are used in convergence is not consumed like capital or labor but rather these resources accumulate and become an asset that can redefine a firm or even a nation. It also transforms the business model by assembling technologies that may have been limited to a specific industry or technological field.

Combination refers to the result of combining two existing things or combining an existing thing with something new. In the end, combination is an idea and a strategy for something better than the status quo. Thus, a combination always has development that can create synergy. After the introduction of the iPhone, the industrial paradigm surrounding manufacturing has greatly changed.⁹

The introduction of iPhone has completely encroached the market for existing feature phones and destroyed the related business structure, showing a new product and services can take down the existing industries' competitiveness in a moment's notice. Thus, new combinations of products or services based on new technologies are creating new rules for competition and new industry structure by improving on the existing products.

As such, to pursue true innovation, a clue to create a creative system from the business concepts with the least required potential is necessary rather than existing business models. These are created from either convergence or combinations. One can represent such mechanism structure as follows (Figure 30.2).

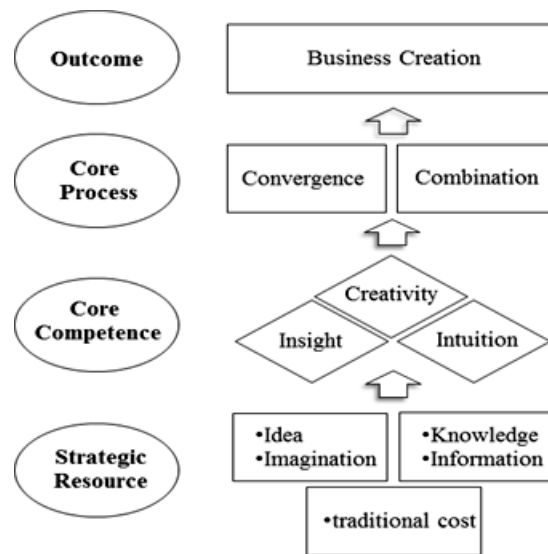


Figure 30.2: Building Mechanism

Stabilizing Mechanisms: Expansion of Business

How does one stabilize the newly established business model and how can one consistently develop it? Even if a creative business model has been established, if the model is not appropriately utilized or cannot create the product, service or business model fit for the changing environment by swiftly securing the

⁸ Here knowledge refers not only to simply what one knows but a concept that includes the technology and the information that can create new things by creating, organizing and systemizing based on what one knows.

⁹ The iPhone has been created through a combination of the iPod & cellphone. The iPad was created by combining the iPhone and the tablet PC.

capacity to overcome these challenges, the model is useless (Teece, 2007). Also, one cannot predict the good path from the start, when the business model faces the uncertainty of the market. In other words, one cannot simply know all the possibilities in advance. Thus, good firms must actively learn and absorb new knowledge and technologies that exist internally and externally (Cohen & Levinthal, 1989; 1990; Levinthal & March, 1993). One must take a bold initiative for bold strategic investments on key functions such as R&D, marketing, etc. at the right time (Barney, 1991; Dutta, et. al., 1999; Zahra & Geroge, 2002). Also, control must be exercised to use more information and modify the plans according to the feed backs while advancing the business.

A firm that learns and accumulates knowledge a step before its competitors can become the lead without equal.¹⁰ On the other hand, the top class technology is often tacit knowledge (Winter, 1987), these knowledge are often accumulated internally by learning and doing (Teece, 1982) or by experience (Winter, 1987). Thus, a high absorptive capacity is required in the firm's related fields to confirm, learn and absorb the valuable external knowledge, especially tacit knowledge (Cohen & Levinthal, 1989, 1990; Leonard-Barton, 1995). However, simply taking in new knowledge into the organization does not stabilize or expand the business. To stabilize the new business model, various strategic resources needs reconfiguration. The link between the firms' strategic resources and the business model is configuration. Configuration refers to the unique way the capacity, asset and process combines through interaction to support a specific business model, as well as the management method of the linkage between capacity asset and process (Hamel, 2000). Thus, a great business model depends on the unique combination of capacity asset and process, in other words configuration.

Also, to stabilize and make sure that the new business model enters the market and is delivered to the customers, the paths that firms use must be strengthened and increase the real benefits the customer receive. Paths can affect the decision for strategic alternatives that a firm can choose based on the track and the experience the firm has (Teece, et. al., 1997). Now, in the creative economy, rather than making money by accumulating technology, one can make money by affecting the various paths of the market for technology. Thus, if the paths are strengthened a firm can secure a advantageous factor for superiority in the competition and consistently maintain the market influence that the firm has secured (Teece, 2008, Prahalad & Hamel, 1990). In other words, as these activities progress, the mechanisms are meticulously specialized, systemized and reach routinization and ultimately expand the business (Levinthal & March, 1993). These mechanism structures can be represented as follows (Figure 30.3).

Reconfiguration Mechanism: Business Improvement

In the business world that changes daily, one must not only achieve superiority in competition at the right time but also secure superiority in the long term growth process. One can often see business models without significant results or models that disappear from the market in a short period even if the strategies are established and investment has been made to secure the capacity to create a new business model. This is due to the fact that the business model was not fit for the management environment or, the individual composition factors were not working fluidly.

¹⁰ In semiconductors manufacturing or strategy consulting where learning effects play a big role in the industry, unless the follower changed the overall knowledge base of the industry, it is difficult to overtake the lead's knowledge accumulation process.

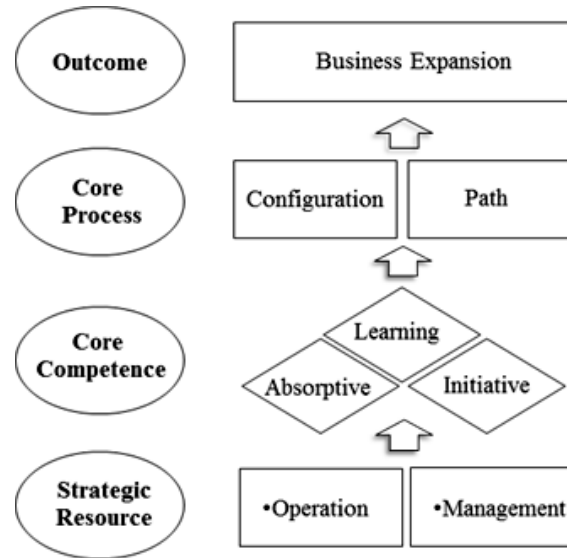


Figure 30.3: Stabilizing Mechanism

Thus, endless investment and efforts are required to upgrade the business model for the firm to maintain superiority in competition consistently based on business models. If a business model formed at a specific time does not upgrade itself continuously in response to the changes in environment, as time flows, the degree of casual ambiguity will fall, allowing competitors to easily imitate the model (Reed & Defillippi, 1990; Lado et. al., 1992; Lado & Wilson, 1994).¹¹

Thus, a firm must increase its adaptability to the changing management environment, eliminate negative composition factors, and always upgrade the business model. Of course, these changes carry both risk and opportunity. However if the firm increases its adaptability, the proportion of these two elements - risk and opportunity - can be changed (Hamel & Breen, 2007; Hamel, 2012; Teece, 2010; Amit & Zott, 2012). Thus, a highly adaptive firm will not rashly attempt to pass through the ‘death valley’ but rather improves its strategy and reform its own organization before losses are made in the future. Also, these firms will nimbly embrace the recent needs of customers and reestablish the customer’s expectation in a positive direction as the lead of the market (Hamel, 2012). Therefore, highly adaptable firms will capture more opportunities than other firms and carry out reconfiguration in a way that executes new growth methods and continuously pioneer a new market.

For this, strategic flexibility that leads the organization to achieve its intents necessary (Sanchez, 1995; Worren et. al., 2002). In this, infinite competition where unpredictable demand cycles exist, the strategic flexibility helps firm boldly discard business models that have become less profitable and lead the firm to carefully observe the market reaction to create higher profit. On the other hand, since business models create profit through the inter-organic interactions between individual factors, consistency must be maintained within the business model (Lamberg et. al., 2008). The reason why outstanding business models accomplish low results is because individual composing factors are focused on their own purpose creating sub-optimization.

¹¹ A firm’s specific resources and capacity is often tacit, complex and specialized to the firm, creating a causal ambiguity. This ambiguity in turn creates the superiority in competition that is difficult for competitors to imitate.

As such, to develop the existing business model and establish a organization that is one step ahead of changes, a firm must identify factors with low suitability through evaluation and identify rooms for improvement through feedback (Ashford & Cummings, 1983; Ashford & Tsui, 1991). Thus, firms must evaluate how closely, the outcomes reached the original plans. And if the results are not on a par with the expectations, firms must seek the source of the problem and eliminate the negative effects to management. If the results are above expectation the firm must learn the reasons for success through feedback. One common feature of successful business model is that they have a virtuous cycle. For this type of structure to be possible, well placed configurations of the factors are important but also all factors must move flexibly. Thus, a process of control through repetition of trial and error and matching the reality is necessary. Therefore, when one designs a business model one must reflect the endless feedback system from the market and learning from these feedbacks.

In summary, for a established business model to consistently create wealth and improve, tools and systems that can provide a comprehensive and balanced measurement of management results is necessary. By these tools and systems, business models will be evaluated and provided with feed-back for the endless upgrade and innovations. (Figure 30.4) represents the mechanism structure and (Table 30.1) organizes the business model’s mechanism according to each stage and its factors.

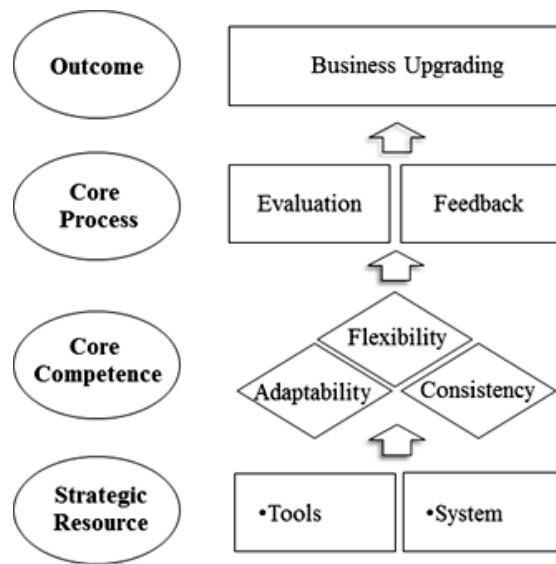


Figure 30.4: Reconfiguration Mechanism

Table 30.1
Detailed Factors in the Stage of Business Model (BM or Mechanism)

<i>Level of Mechanism</i>	<i>Building</i>	<i>Stabilizing</i>	<i>Reconfiguration</i>
Explanation	Generation of BM	Routinization of BM	Feedback of BM
Core Competence	Creativity, Insight, Intuition	Learning, Absorptive, Initiative	Flexibility, Adaptability, Consistency
Core Process	Convergence, Combination	Configuration, Path	Evaluation, Feedback
Strategic Resource	Idea, Imagination, Knowledge, Information, Traditional cost	Operation, Management	Tools, System
Outcome	Business Creation	Business Expansion	Business Upgrading

Performance: Realization of Creative Economy

In creative economy, the creation of wealth comes from the convergence of creativity, immaterial values based on imagination, ideas and etc, all across the economy. Thus, for the creative economy to be realized creative ideas must be linked to businesses, the competitors must coexist in a fair competition not a closed competition, and a virtuous cycle in which good talents continuously flow in must be created. For this, one must embrace the traditional industries and dissolve the polarization and create an inclusive and healthy ecosystem where participants can coexist. Also, these convergences must occur not only in the economy but also in the social-cultural dimension to create the deep factor,¹² a factor for new development and contribute not only to the improvement of national competitiveness but also the prosperity of humankind (Lee, 2013).

In summary, true transition into creative economy is when new ideas are creates, existing ideas are converged and combined with new technology to create new results, new ideas or converged/combined technology is commercialized, entrepreneurship becomes active and growth that creates jobs by having a stable structure of co-existence between large corporations and small and mid-sized businesses.

4. CONCLUSION AND IMPLICATIONS

The start of this research came from the intent to find new drivers and identify the limits of existing research that tries to explain the consistent success of firms in the rapidly changing environment of advancements in IT, globalization, etc. This paper focuses on creating a dynamic theory that meets these new environmental changes by finding a solution in the innovation of business models with the perspective of business processes. Especially, by applying the ‘Creative Economy’ that is widely researched in a macro-perspective into a micro-perspective firm’s point of view and realize a specific mechanism.

Business model innovation consistently modifies the firm’s operations and strategies according to the rapid environmental changes, strengthen the adaptative advantage and create value in the higher dimension (March, 2006; Reeves & Deimler, 2011). Thus, adaptive advantage must be heightened in accordance to the rapid changes in environment, innovative business models must be continuously created, and through the establishment of business environment and infrastructure that can make these ideas into global firms’ economic system where experiences of success and failure can be reproduced must be created in order to achieve creative economy. Taking a closer look at the details, the firms today face the following environmental changes. First, the borderline between fields has become ambiguous and the lines between industries as well as geographical borders have blurred. Secondly, customer preferences are changing constantly. Long term mega-trends or short term trends are affecting what the customer needs and wants at a fast pace. Thirdly, technological advances are underway at a rapid pace. Various new technologies capable of creative destruction have been introduced creating more opportunities to produce faster at a lower cost. This has brought new markets and new competitors.

Thus, for firms to overcome this age of uncertainty and create an innovative business, firms must first establish a business differentiated from the existing ones by using new business concepts like imagination, ideas, etc. Then the firms must consistently upgrade and develop the established business through a stabilizing mechanism. In the meanwhile, even if the firm possesses superior products and services through

¹² The term refers to the factors that affect a nation’s economic growth that can not be changed in a short period because they are internalized within the politics, economy, society and culture of a nation.

a new business model, it can be easily imitated by competitors if the capacity to maintain is not secured. Thus, a reconfiguration mechanism is necessary to improve on areas that fall short and keep a close eye on market reaction to achieve higher profit. The important part is that these three detailed mechanisms – building, stabilizing and reconfiguration mechanisms must not function individually but rather within a single ecosystem or business system together to be called ‘creative mechanism.’

This paper is a technical paper that recombines the existing literature and logic. As a early stage of research on creative economy, this paper shows so many numerous limitations, but the significance can be found as in the following. First, the paper showed effort to discover the mechanisms to realize creative economy in the firm level. In other words, to achieve creative economy innovative business must continuously be created and this paper studies its detailed mechanisms and explained how the process of creative mechanism must happen at the firm level. Especially, this paper has been written through the exploratory research methodology that analyzes the existing literature and the widely researched papers while modifying and converging, the concepts and logics.¹³

Secondly, this paper focuses on explaining not what a firm has but What/How to do, in alliance with the basic intent of the creative economy. In other words, rather than explaining ample resources or outstanding CEOs for consistent success, this paper seeks to find logic and methods to create creative results (Teece, et. al., 1997; Jung & Cho, 2006; Lee & Jung, 2016). Also, the author would like to believe that there are more than the academic significances listed above but also policy implications at a nation-wide level can be drawn by expanding the principles of this paper.

Finally, the limitations of this paper can hopefully be used for future research listed as the following. First, this paper is qualitative and its methodology carries with it obvious limitations. In the future empirical research can help supplement this limitation. Secondly, in the exploration of creative economy, a different theoretical framework for analysis can reveal features other than business model innovations. Thirdly, if this model is compared and analyzed with other nations that pursue creative economy more significant implications may be drawn.

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¹³ Grounded theory methodology is a qualitative research methodology that modifies and integrates existing concepts from the discovery of a pattern and formation of concepts from existing research and material experience in order to develop a theory (Strauss & Corbin, 1990).

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