

Original Research Article

Functions of Commercialization of innovation in Cultural Products

Ali Reza Motameni¹, Ali Rezaeian¹, Akbar Alem Tabriz¹ & Abolfazl Nazari^{1*}

¹Shahid Beheshti University

Accepted 17 May, 2016

Various studies in management point to the idea that one of the most significant organizational issues which cause a stable and long-lasting competitive superiority in business is innovation and based upon this, National System of Innovation in different countries comes to be designed and arranged. But within the existing cultural and media products, major problems in the commercialization of the products of this field have jeopardized this industry in a way that it has come to be regarded as a low-efficiency industry. Therefore, this research is aimed at finding a method in order to find a mechanism to deepen and stabilize the functions of the commercialization of cultural and media products, and besides an analysis of the paucity of literature available in this field, it endeavors to generate contents based upon sound data. Factors involved and suggested functional models which were extracted from some knowledgeable and experienced experts of this field through in-depth interviews can be clarified through the Interpretative Structural Modeling (ISM) for the levels of its components and the relation between them. As its conclusion, this research suggests that structural model of the commercialization of cultural and media products in innovation have 9 major functions and 32 considerable components.

Key words: Innovation, Commercializing, Functions of Commercialization, Cultural Products.

1. INTRODUCTION

Requirements of today's world are totally different from the ones in the past and it must be clarified that maintaining an organization in today's competitive environment leaves no room for anything short of gaining a competitive advantage (Barney 1991). Experts believe that systems in order to be safe towards environmental surges and being compatible with competitive requirements have no other way than gaining and continuing a competitive advantage. Clarifying a process leading to competitive advantage in the long run would be a reliable method for an industry's maintenance (Pralhad & Hamel, 1990). It is obvious that reaching this goal as well as understanding the concept and content features of stable competitive advantage can be effective and useful in planning and execution of efficient competitive models and methods in order to reach a stable competitive advantage for systems (Mehri, 1382); and the competitive advantage of an industry will be obtained through an ant of systematic innovation (Skiltere&Jesilevska,2013). Publishing the ideas of Schumpeter (1934) on the importance of

innovation and the role of entrepreneurs as the engines of economy are known as a turning point in the innovation issues in this era. The rapid growth of industrialization and development of technology occur in a vast area, such as a country, with the help of activists in different fields and it is interesting to note that due to the differences in the place and its activists, the results in terms of technology employed is often so varied (The Global Innovation Index, 2013) so that these findings result in a framework or theory which is known as Systematic Innovation. System of innovation attempts to put forward the viewpoint that innovation in a systematic context may take place with different activists from different levels of production to policy-making for universities, governmental organizations, developers of technology, marketers, distribution channels, etc.

Within a decade this theory turned into an accepted and useful base for analysis and policy-making in a way that after the European Union member state of the Organization for Economic Cooperation and Development, many other countries are making use of it in controlling their innovation affairs (Organization for Economic Cooperation

*Corresponding Author's E-mail: Fazelnazari@sbu.ac.ir

Development, 1999). In fact, after the presentation and development of the concept and innovation models its functions have increased in number being accepted and applied as a framework in the analysis– and prescription of – policies of innovation in different fields especially in industries. Therefore, this question has always occupied the minds of researchers of this field whether there is any theoretical and multidimensional model. It seems that besides the theoretical sphere it is the same in the realm of business because global rates of the estimation of innovation and its growth call for a major gap among Iranian industries for innovation (Bloomberg, 2013).

On the other hand a major phenomenon which came to prominence as a consequence of the industrial age was culture and cultural industry and accordingly cultural industry products and goods came to the spotlight more and more. Cultural goods are those types of creations whose most pivotal feature is their effect on culture or on people's minds and human societies (Ahmadi, 1380).

Due to the importance and gradual growth of cultural industries and productions and contemporary cultural goods (such as digital industries, media productions, etc.), cultural industries have acquired a certain identity and in different cultural, political, social and economic studies they started to be analyzed even more. Although offering and using the cultural industry products, life style and even beliefs and self or social values –even economical behaviors – are mostly accompanied with concerns, the crucial point is that the development of this industry –like any other industry – is in the economic circle, so profit-making plays a vital role in such industries.

Based upon this, most of the culture and media industrial actions could not present any major entrepreneurial product to national or international needs despite the new and attractive ideas that their designers have, and they were not successful in turning them into products which would be embraced by users. Problems and obstacles for changing a novel idea into a successful product in cultural industries are issues paying attention to which would lead to the manifestation of creativity as well as Iranian artists and media workers' potentialities. Such a research could encompass different fields of study from innovation management to that of marketing and the development of a new product so that there would be proposed some suggestions in order to fulfill the process of commercializing the cultural industry products.

2. Innovation

Serious discussions based on innovation in them id-1980s resulted in the idea of innovation on the basis of industrial policy-making in Europe, and in spite of global economy orientations, as discussions on systematic innovation focused on the share of government and government's policies in the formation of the effective institutions on

innovation (Sharif, 2006: 745-766). Due to the acceptance of this idea by Organization for Economic Cooperation Development (OECD) and major studies of this organization based on that, the application of this idea has increased dramatically and that maybe because of the widespread acceptance of this idea from different points of view, while ambiguities and gaps in different writings and researches are more often than not noticeable (Edquist&Hommen,2008).

Christopher Freeman in a report to OECD used the phrase National System of Innovation in 1982. Within the report, Freeman's attention was focused on how countries can produce knowledge and its subcategories through the idea of developing economy and international competition on a national scale (Freeman, 1995: 5-524)

The primary efforts to theorize this concept was made by Landwall. He defined the system of innovation as an accumulation process which is rooted in stored knowledge, experiences and dealings of users and producers (Landwall, 1985); he also believed that innovation intervenes, as it were, in all parts of economy and institutional settings that affect learning, research and exploration (Landwall, 1992). But owing to the rapid growth of the idea of innovation, not all researches conducted were based on the same definition (Mir Emadi,1387: 7-25). Freeman defined innovation as a group of governmental or non-governmental institutes whose works and connections have gained and programmed the new technologies (Freeman, 1995:5-24). Nelson also defines innovation as a group of institutes whose interaction lead to the innovative actions of a given nation. Nelson's attention is focused on technology institutions, and cooperation in R & D and technical variations. In Nelson's point of view institutes or rather organizations which support research and development support the creation and distribution of knowledge as the main source of innovation which in turn plays a pivotal role (Nelson& Rosenberg, 1993; 3-22).

3. Commercialization of Innovation

The commercialization and distribution of the research results in industry and marketing are collectively without a doubt one of the most complicated processes of innovation (Bandarian&Mousaee, 1388); and the main managerial problem of the owners and sponsors of knowledge and innovation is usually how to change their produced knowledge into the process of economic output for the owners, sponsors and staff. In other words the major problem does not lie in invention but rather in the process of commercialization (Gans & Stern, 2003).

Commercialization is defined as the transformation of knowledge into the products and services with practical or valuable applications (Reddy, 2007). In other words commercialization gets started when a business is used as a

method to make use of knowledge and new science progresses in order to answer the needs of users by planning, developing, creating and marketing; and it surely includes all the other efforts to promote a product (Mehta, 2008). In fact commercialization is the process of owning, nurturing and developing the ideas with complementary knowledge, making and producing marketable products and selling them (Vercauteren, 2004). Some of the researches conducted about different models of commercialization show that the knowledge produced by research institutes and universities becomes practical in different ways including the overflow of knowledge and the activities of commercialization. Moreover there are different strategies for commercialization, but often establishing a new company and issuing a license are among the first proposed but even for these two strategies there are a number of different procedures (Kalathae&Yadollahi Farsi, 1391).

4. Cultural Industries

The realm of culture is a vast area with a high degree of versatility. In the past, the word culture in Iran was used to refer to the "Knowledge of the Self", and only later did it start to refer to educational affairs. But today culture refers to the special behaviors of man which, along with material means, is collectively considered to be an unavoidable part of behavior; and specifically language, thought, beliefs, traditions, agreements, organizations, tools, working methods, art-works, religious ceremonies, social ceremonies etc. are all indispensable components of it. Moreover, its existence and function depend on the abilities which are only at man's disposal (Salehi Amiri, 1392: 15). Based on the Mexico's International Announcement, the elements of culture encompass ideas, basic human rights, value systems, life style, arts and literature (Ziari, 1379; 95) and the territory of culture includes cultural activities, products and services available in different stages of cultural circle (UNESCO, 2009; 23) or it may be stated that culture has an immaterial essence to be materialized through the cultural industries (cultural products and services) (Hosseiniipour, Si Sakht&Kiasi, 1392; 42). Cultural products and services are beneficial objects and services that are produced – or created for that matter – by a group of people in the society to satisfy the cultural needs of others (Rashidpour, 1388: 58).

For the first time the concept of Cultural Industries was used during World War II in Frankfurt School to describe America's film industry (Ahmadi,1380); but nations through an understanding of the value and effects of the cultural products, started to use the phrase Cultural Industry for a new idea. For the first time in France in the 70s, this phrase was used to define the mechanisms of producing cultural products and services worthy of attention (Ahmadi,1380). In any rate, cultural industry refers to industries which create and commercialize

abstract themes with a cultural essence. These themes are typically supported through Copy Right, and can assume the shape of commodities and services (UNESCO, 2005). Cultural industry is cultural products and services that are produced, re-produced, stored, or distributed industrially or commercially (SalehiAmiri&Mohamadi 1392: 160). Of course some believe that cultural industry is different from all other industries, for cultural industries produce different products having a serious role in creating the concepts through which we become cognizant of the world (Pahlevan, 1382: 582).

Today countries having understood the strategic significance of cultural industry and taken proper measures have a great international situation economically thanks to their cultural influences. On the other hand, there are other countries which became exposed to countless serious consequences such as threats to cultural identity and which were driven to pay high prices to prevent cultural imports and in so doing became prone to isolation because they did not support their own cultural industry due to different reasons such as ideological, political and short term economical goals or even their very cultural essence. Consequently, deep analyses of cultural industries are of primal importance in many countries in an effort to analyze culture on a sound basis and develop strategies of Culture and Development (Bandarian&Mousaee,1388).

5. RESEARCH METHODOLOGY

The present research is a mixed method of both qualitative and quantitative research methods exploring, explaining and modeling for the research topic in which – in order to gain a deep understanding of commercializing innovation in cultural products. Besides a review of the few theoretical foundations, 19 experts of the field were interviewed so that through the grounded method and coding technique (open coding, axial coding and selective coding) an attempt should be made to create "theoretical literature" and the required "conceptual model". After extracting functional elements of the commercialization of cultural products, the conceptual model was created through the Interpretative Structural Modeling (ISM) for the levels of its components and the relation between them.

6. Research findings

The functional model of commercializing cultural products in the innovation system which is the final result of this research was composed through discourse analysis and coding method of hours of in-depth interviews which form the following table of functional components and indices (table 1). In this research, 9 major functions for commercializing cultural industries in innovation are proposed each of which comes along with related

functional indices, resulting in a total of 32 functional indices.

Table 1: Functional Elements of Commercialization of Innovation in Cultural Products

Functional Elements	Functional Elements
Legislation	<ul style="list-style-type: none"> • Optimizing present institutes • Facilitating certificate-issuing process • Reviewing rules and regulations • Internalizing Copy-Right Law • Establishing required institutes
Acculturation	<ul style="list-style-type: none"> • Eradicating cultural obstacles • Developing media-products culture
Developing New Macro-Structures	<ul style="list-style-type: none"> • Developing information-exchange methods • Obtaining new technologies • Establishing professional towns
Strategic Directing	<ul style="list-style-type: none"> • Developmental policy-making • Supervision, assessment, operational surveillance • Support and encouragement plans • Channelizing applied researches • Creating vision for cultural innovation
Resource Allocation	<ul style="list-style-type: none"> • Financing for investment • Promoting innovation • Human-resource education
Creating and Developing Knowledge and Experience	<ul style="list-style-type: none"> • Designing new business models • Creating media R&D centers • Promoting Knowledge and Experience • Culture Industry-University cooperation
Sharing and Publishing Knowledge and Experience	<ul style="list-style-type: none"> • Developing Publication networks for knowledge and experience • Creating industrial and research ‘clusters’ • Promoting international interactions
Economic Value-Making	<ul style="list-style-type: none"> • Promoting supply-chain of by-products • Concretizing artistic creations
Market-Making	<ul style="list-style-type: none"> • Standardization and quality-control • Brand-making • Public-praising artists • Forming and segregation of the market • Developing international market

Once the functional components and indices of commercialization of innovation cultural industries were listed, an effort was made to find the effectiveness of the

ruling factors and the relations among them, through the ISM by the focusing group. The result of this process noticed in **table 2**.

Table 2: Interpretative Structural Modeling Matrix

1	2	3	4	5	6	7	8	9	components	
	V	V	V	V	O	O	O	O	Legislation	1
		O	A	A	O	O	V	V	Acculturation	2
			A	V	X	V	O	V	Developing New Macro-Structures	3
				V	V	O	O	V	Strategic Directing	4
					X	X	V	V	Resource Allocation	5
						V	O	V	Creating and Developing Knowledge and Experience	6
							V	V	Sharing and Publishing Knowledge and Experience	7
								X	Economic Value-Making	8
									Market-Making	9

7. Functional Models of Commercializing Cultural Products in the National System of Innovation

According to the interviews, it seems that there are three approaches towards commercializing of innovation in cultural products: 1. an approach which considers all the imagined functions as being direct offshoots of state power in countries and expects all prerequisites to be prepared by the state; 2. an approach that is constantly influenced by the free competitive market and believes that competitive mechanisms of the market themselves will manage the functions of commercializing those products in the competitive market; 3. there is also a third approach which is more acceptable according to the present research. It holds that some of the functions are controlled by the state and some are controlled by the free competitive market. This research sticks to the idea that more often than not the fundamental infrastructure of commercializing of

innovation in cultural products is laid out by the state and secondary frameworks leading to superficial functions are formed by the market.

Based on this, three fundamental steps are suggested by this research for the process of explaining the functions of commercializing of innovation in cultural products: 1. the stage of creating and leading which is mostly enacted by the state; 2. the stage of growth and development which is the driving force for the internal processes of commercialization and which is formed based on the provision of the state but is enacted by the market and effective forces in it; 3. the stage of actualization which is usually affected by the market, while the state does not play any considerable role in it.

Figure 1 is the Functional Model of Commercialization of innovation based on the results of the research on the cultural-products industry through the Interpretative Structural Modeling.

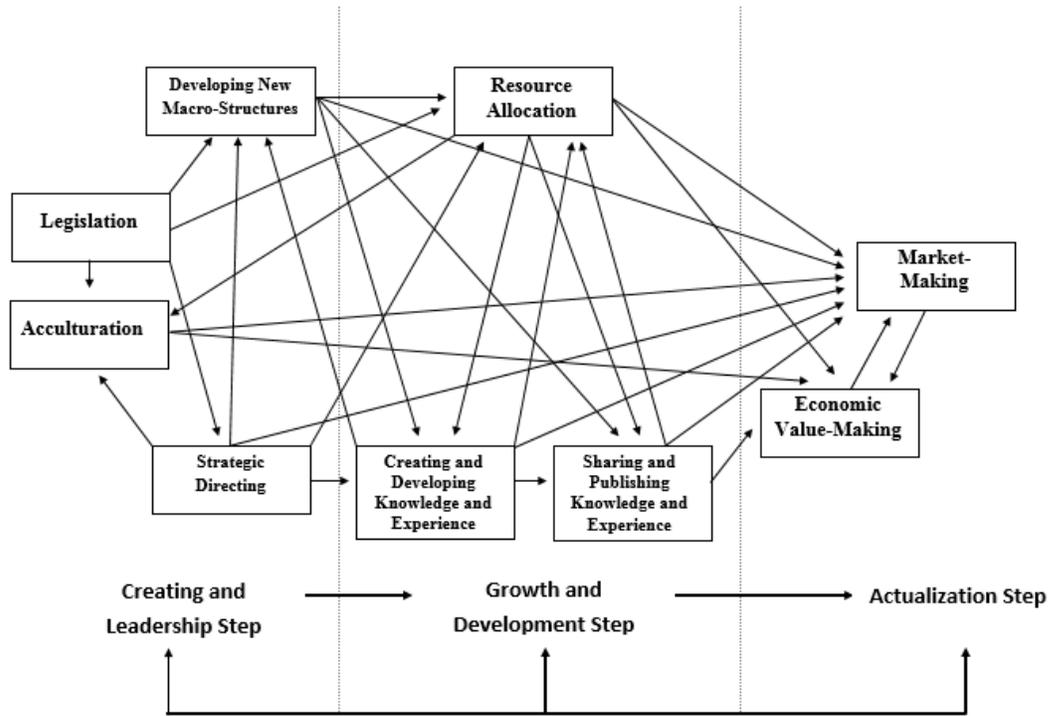


Figure 1: Functional Models of Commercializing of Innovation in Cultural Products

8. CONCLUSION AND SUGGESTIONS

This research aims at finding a pattern for innovation at the level of cultural industries, while emphasizing the efficiency of those approaches based upon strengthening organizations through focusing on the commercialization of innovation. This became possible after a deep and critical study of the existing literature – among them more than 20 articles on innovation, commercialization, and cultural industry from 2000 to 2015 – and only then did it start to propose the primary conceptual framework based on the functions of this system. This framework was developed through in-depth interviews with experts and evolved into a multidimensional model. Moreover, in order to fully understand the relations between the verified components and path analysis, the Interpretative-Structural Modeling (ISM) was implemented.

Studies within this research show that state institutes play the most significant role in Creation and Leadership stage and pave the way for culture activists through legislation, acculturation, developing required infra-structures and determining macro policies to "direct" culture industry activists.

Also, in growth and development, two institutes play the most pivotal role: universities and banks. Universities and scientific and research centers play their role through producing, developing, publishing and sharing the

specialized knowledge for innovative activities; and banks provide culture industry activists with financial resources and support them. The proper or improper function of these two institutes could be regarded as an index for growth, optimization, and development or stagnation and inefficiency of cultural products' commerce status, respectively.

Finally, the actualization stage, which is mostly based upon market's economic theories, is the manifestation of the intersectional cooperation between the two previous stages. As is clear, almost all other functions of the innovation system lead to market-making – functions which will prove detrimental to commercial market-making if they do not work appropriately and fail to establish a thorough relation with the final stage of the model.

REFERENCES

Ahmadi, Hasan (1380). War, Think, Identity. Tehran: Developing of Knowledge and Research Institution. In Persian.
 Bandarian, Reza, Moosaei, Ahmad (1388). Benefit of Industry for Facilitation of Commercialization. Technology Growth Journal, 5 (18). In Persian.
 Barney, J. B. (1991), "Firm Resource and Sustained Competitive Advantage", Journal of Management, 17.
 Bloomberg (2013).50 Most Innovative Countries Rankings, Feb 1, <http://www.bloomberg.com>
 Edquist, C., Hommen, L. (2008). Small Country Innovation Systems: Globalization Change and Policy in Asia and Europe. Edward Elgar Publishing Limited: Cheltenham, UK.

- Freeman, C. (1995). The National System of Innovation in Historical Perspective. *Cambridge Journal of Economics*, 19, 5-24.
- Freeman, C., (2008). Conceptual Architecture, in *Conceptualizing Innovation systems: The implication to developing*. Available at: www.business.aau.dk/ike/Upcoming/Pun-arj/PAC-Part-I-Chapter-I.pdf.
- Gans, J. S., Stern, S. (2003). The product market and the market for ideas: commercialization strategies for technology entrepreneurs. *Research Policy*, 32, 333– 350.
- HoseiniPourSisakht, Niknam, Kiasi, Soheila (1392). *Cultural Industry as a Creative Industry*. Tehran: Mana Culture Publications. In Persian.
- Kalathæi, Zahra, Yadolahi Farsi, Jahangir (1391). Position of Commercialization in Innovation Management. *Growth Centers and Parks Journal*, 9 (33). In Persian.
- Lundvall, B. Å. (1985). *Product Innovation and User – Producer Industrial Development Research Series No. 31*, Aalborg University Press.
- Lundvall, B. Å. (1992). *National Systems of Innovation: Towards a Theory of Innovation and Interactive Learning*. Pinter: London.
- Mehri, Ali (1382). Theatrical Viewpoint to Sustainable Competitive Advantage. *Monthly Journal of Tadbir*, 140. In Persian.
- Mehta, S. S. (2008). *Commercializing Successful Biomedical Technologies: Basic Principles for the Development of Drugs, Diagnostics and Devices*. New York: Cambridge University Press.
- MirEmadi, Tahereh (1387). Epistemology Analysis of National Innovation System Viewpoint as a Scientific Research Plan. *Developing Technology Management Journal*, 1, 7-25. In Persian.
- Nelson, R., Rosenberg, N. (1993). National innovation and national systems, in *National Innovation Systems: A comparative analysis*. Oxford University Press: New York, 3-22.
- OECD (1999). *Managing National Innovation Systems*. Paris.
- Pahlavan, Changiz (1382). *Ethnography: a few Speech about Culture and Civilization*. Tehran: Ghatreh Publications. In Persian.
- Prahalad, C.K., Hamel, G. (1990), The core competence of the corporation, *Harvard Business Review*, V. 68, N. 3, pp. 79–91.
- RashidPour, Ali (1388). Study of Consuming of Cultural Products in Student. *Cultural Management Journal*, 3 (6), 55-74. In Persian.
- Reddy Metla, C. M. (2007). *Entrepreneurship and Commercialization: The Case of Kansas State University*. Master Thesis, Department of Agricultural Economics, Kansas State University.
- SalehiAmiri, Reza (1392). *Cultural Concept and Theories*. Tehran: Ghoghnoos Publications, Sixth Edition. In Persian.
- SalehiAmiri, Reza, Mohamadi, Saeed (1392). *Cultural Policy*. Tehran: Ghoghnoos Publications, Second Edition. In Persian.
- Schumpeter, J. A. (1934). *The Theory of Economic Development*. Harvard University Press.
- Sharif, N. (2006). Emergence and development of the National Innovation Systems concept. *Research Policy*, 35 (5), 745-766.
- Skiltere, Daina&Jesilevska, Svetlana (2013), Building the System of Innovation Capability Indicators: Case of Latvia, *Eurasian Journal of Business and Economics*, 6 (12), 113-128.
- The Global Innovation Index (2013). <http://www.globalinnovationindex.org>
- UNESCO (2005). *International Flows of Selected Cultural Goods and Services, 1994 – 2003: Defining and capturing the flows of global cultural*, UNESCO Institute for Statistics, Montreal.
- UNESCO (2009). *THE 2009 UNESCO framework for cultural statistics (FCS)*, UNESCO Institute for Statistics, Montreal.
- Vercauteren, A. (2004). Lead customer interaction during the commercialization process of radical technologies. 4th Annual Conference of the European Academy of Management, St. Andrews, Scotland, May 5-8.
- Ziari, Keramat (1379). Assessment of Degree of Cultural Development of Iranian States. *Social Science Journal*, 16, 91-104. In Persian.