



Reading Experience Economy Entrepreneurship Cases Using a Resource Based Perspective

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Abstract. The resource based perspective (RBP) has provided fertile ground for theory development on the sustained competitive advantages of the firm. The question that propelled already the seminal work by Penrose (1959: “Theories of the Growth of the Firm”): what are the limiting factors to companies’ growth? has proved most generative. However, Barney’s articles (1991; 2001) express a need to get away from both the (external) focus on opportunities and threats (often a product-focus, as in Porter, 1980; 1985) and the (internal) focus on strengths and weaknesses (often a resource-focus, as e.g. in Penrose, 1959). The move away from the direct focus on resources as the micro-foundation for competitive advantage seems to indicate that, despite its great explanatory power, the focus on resources has its limits. We suggest to expand the RBP by including what we find to be most central in post-industrial economies, namely, organisational creativity and innovativeness, i.e., entrepreneurship as pragmatic imagination. We thus have in focus is this ‘blind spot’ of the RBP, the entrepreneurial capability of organisational creation, that is, what generates new resources or new resource combinations in creating new value for users/customers. The need to understand and master this skill seems, to us, to be crucial in the experience economy, which demands from providers of products and services that they are relationally flexible when creating resource-combinations that generate affects (experiences) for the customer. An analysis of Volkswagen’s luxury car project – Phaeton – will provide the empirical basis for our study.

1. Introduction

The resource based perspective has provided fertile ground for theory development on the sustained competitive advantages of the firm. The question that propelled already the seminal work by Penrose (1959: “Theories of the Growth of the Firm”): what are the limiting factors to companies growth, has proved most generative. However, Barney’s articles (1991; 2001) express a need to get away from both the (external) focus on opportunities and threats (often a product-focus, as in Porter, 1980; 1985) and the (internal) focus on strengths and weaknesses (often a resource-focus, as e.g. in Penrose, 1959). Nor, indeed, will it do simply to relate these two in perspective of discussing choices of strategy. The move away from the direct focus on resources as the micro-foundation for competitive advantage seems to indicate that, despite its great explanatory power, the focus on resources has its limits.

Barney notes that a resource based view, in examining the relationship between a firm's internal characteristics and performance, cannot build on the industrial organisation theorists' assumptions that firms within an industry are homogenous in terms of strategically relevant resources and strategies pursued, and that this homogeneity is automatically restored through resource mobility should it be destabilised (Barney, 1991: 101). This insight is also very much present in the works of Penrose. We recognise this tendency of industrial organisation theorists to stay with models that grant priority to an economist's disciplined economisation of preferably meso-level or macro-level entities. When moving closer to the life in the firm, as is often the case when we get into higher resolution areas via qualitative case studies, RBP then discovers the greater complexity of heterogeneity, immobility, but also of non-economic forces. In Barney's terms (1991: 100), we propose here to focus still more sharply on the idiosyncrasies of firms, and do so through a case of 'experience economy'.

We are not, however, interested in the environmental conditions for high-level firm performance. The logics and mechanism of any given industry is of course highly relevant to include when studying strategic decisions. However, we believe that such Porter-esque analyses lead to an over-emphasis on static environments and over-economised perspectives on competitiveness. They exclude what we find to be most central in post-industrial economies, namely, organisational creativity and innovativeness, i.e., entrepreneurship as pragmatic imagination. The idiosyncrasy we thus have in focus is this 'blind spot' of the RBP, the entrepreneurial capability of organisational creation, that is, what generates new resources or new resource combinations in creating new value for users/customers. The need to understand and master this skill seems, to us, to be crucial in the experience economy, which demands from providers of products and services that they are relationally flexible when creating resource-combinations that generate affects (experiences) for the customer.

We have selected one case from a previous study of three. Those cases – Alessi, the industry around the painter Thomas Kinkade, and Volkswagen's luxury car Phaeton – were previously found to be generative illustrations of an entrepreneurial perspective on the experience economy (Hjorth, 2007; Hjorth & Pelzer, 2007). We now try to engage with one of them, Volkswagen's Phaeton, from a resource based perspective. We have chosen Phaeton as it provides the more complex case of the three, something that enriches its illustrative capacity in this study. Car production, distribution and sale is also well familiar to most readers and with the present decline of the industry it invites to novel analyses. Apart from disclosing new sides of the case, this attempt will also provide the basis for discussing how an entrepreneurial perspective and a resource based perspective (RBP) relate, primarily in perspective of developing the RBP via attention to entrepreneurship (cf. Foss & Ishikawa, 2006). Despite elaborations and sophistications of the resource based perspective during the past decades, including the branching off into capabilities, dynamic capabilities (Teece et al.

1997; Eisenhardt, 2001), core competencies (Prahalad & Hamel, 1990) it is still struggling to explain the entrepreneurial process explicitly. The purpose is thereby to use the experience economy case as common focus, and contrast an entrepreneurship and a RBP reading. The relevance of this is framed by an understanding of experiences as central to the 'creative/innovative' economy (Pine and Gilmore, 1999), while at the same time representing an entrepreneurial challenge for today's companies (Hjorth & Kostera, 2007). This allows us to draw conclusions with implications for how the RBP can more readily embrace entrepreneurship in the creative (innovative- and experience-) economy. The creative economy represents a shift in focus where emphasis is more on intangible, immaterial, and ephemeral resources than was the case when Penrose (1959) initiated her theorising of the firm, subsequently revitalised in the recent emergence of RBP. The RBP's application in analysis of the contemporary economy is thereby extended.

Both our understanding of resources and of rent is challenged when we extend the RBP to include the experience economy by the help of entrepreneurship. In the experience economy, not only do production and consumption happen simultaneously, but also consumers are made co-producers in the process. The result is what Toffler (1980) called "prosumption" in *The Third Wave* but the phenomenon had already been introduced by Luhan & Nevitt (1972). Interestingly, both works refer to a future where technology plays an increasingly important role in production and, more importantly, brings the consumer into the production process. Strictly speaking, since the production process in the experience economy therefore isn't the firm's, but is shared with the consumer-becoming-producer in the process, resources cannot be defined solely by reference to the firm. Instead, a resource is an input into a temporary organisation-creation process, which is an entrepreneurial creation shared between the firm and the 'prosumer'. It is this contribution to the RBP from understanding entrepreneurship as organisation creation that is highlighted by our experience economy case. While it can be argued that Toffler's initial concept is somewhat underdeveloped and lacks empirical backing, the merging of consuming and producing good services is highly relevant as it allows us to grasp the increased complexity of value creation in experience economy times.

Entrepreneurship has been defined as organisation creation (Vesper, 1980; Gartner, 1985; Katz & Gartner, 1988; Hjorth, 2003), and the central capability in the experience economy seems to be this entrepreneurial creation of organisation of resources to generate value.¹ This is part of prosumers challenging of the money-economy by exploring intangibles to create new value (Toffler, 2006). Experience economy entrepreneurship creates the kind of organisation of

1. We thus separate capability from resource here, which is not done, or only opaquely so, by Barney (1991), stating that "...firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness..." (1991: 101).

resources that provides opportunities for consumers to become prosumers, i.e., be part of generating the experience-dimension that they pay for. Thus, also the concept of value needs to be re-framed as the *immaterial* component of the value added represents the distinguishing ‘outcome’ for the ‘consumer’ of an experience. It seems that in the experience economy event (the ‘prosumption’ of that which centrally includes the experience), due to the relational uniqueness of the event, the criteria for what secures a sustainable competitive advantage (Peteraf, 1993) are close to irrelevant: resources are immobile, inimitable, heterogeneous, and come at a price best defined as belief on the part of the consumer-becoming-producer. The value for the customer is immaterial (affect) and the resources applied to generate it are relationally unique, which makes the value come from a qualitative rather than quantitative basis: what we refer to as the experience. Experience is thus defined, in the context of this paper, as the qualitative basis of value-creation in the presumption event. The ‘qualitative basis’ is further specified as the immaterial component, best described as affect, as being moved.

We may position this study in the field of diversification studies within resource-based theory. This is of course related to the sustained competitive advantage field that occupies much attention in resource based theory development, within which we find the vastly unexplored attention to entrepreneurship and entrepreneurial perspectives. Although Penrose (1959) potentially provides a bridge, literature shows that few have crossed it. Markides & Williamson (1994) provide a typical example of a RBP-study contributing to diversification by noting that: “...simply exploiting existing strategic assets will not create long-term competitive advantage. In a dynamic world, only firms who are able to continually build new strategic assets faster and more cheaply than their competitors will earn superior returns over the long term.” (p. 164). This is typical of the tendency to omit the possibility to talk about entrepreneurship. To us, the quote from Markides & Williamson express a covert division of labour: exploiting existing strategic assets is what management does best, while building new strategic assets, exploring new strategic assets, is what entrepreneurship does best. Although our aim is not directly to contribute to this discussion in RBP theory development, we recognise that our focus on the experience economy highlights how entrepreneurship needs to be reconsidered as a far more central skill (competence or capability) in developments of future competitive advantages in the so-called creative economy (experience- or innovative economy included). Our contribution is thus an extension of the RBP to include the entrepreneurial skill of organisation creation. The ‘dynamic world’ that Markides & Williamson talk about (*ibid.*) is thus substantiated in our study as the world of a creative/experience economy. From within entrepreneurship studies, Zahra, Kuratko, & Jennings (1999), and Zahra, Sapienza, & Davidsson (2006) exemplify crucial developments in relating entrepreneurship to the topic of dynamic capabilities in RBP. Whereas Zahra et al relate to evolutionary theories,

learning theory and March and Simon's well-known behaviour theory of the firm to stress dynamic capabilities as ability to reconfigure the firm's resources and routines (Zahra et al, 2006: 924), we explore organisation creation as the central entrepreneurial capability.

After the introduction where we positioned this study vis-à-vis RBP and entrepreneurship studies, we move on, in section two, to provide a short overview of RBP and especially its (lack of) relationship to entrepreneurship. In a third section we then contextualise our case by discussing the relationship between the experience economy and entrepreneurship. In a fourth section we present the case of Volkswagen's luxury car project – Phaeton. The fifth section provides an exploration of how a RBP works in analysing the experience economy case (VW's Phaeton). Finally, section six discusses and concludes with implications for how RBP's opening up towards entrepreneurship represents a highly needed and fruitful piece of theoretical development.

2. The Resource Based Perspective: Short Overview

It seems reasonable to conclude that in the experience economy there may be something like an entrepreneurial profit, based on an organisation creation that generates affect/rupture in the experience, which in turn constitute the basis of the value that the 'prosumer' (Toffler, 1980; 2006) seeks. Our claim is that experience economy entrepreneurship provides examples where the limitations of the RBP are disclosed, which also represents an opportunity for theory development. In order to make this claim we need to elaborate briefly on the resource based perspective. Can the resource based perspective, mainly focused on the allocation and management of resources, more readily embrace entrepreneurship as the creation and novel organisation of resources that generates new value?

The RBP is one of the most prominent perspectives in strategic management (Barney, 2002) having started out as an attack on the neoclassical claim that all firms are alike or rather that the individual firm does not matter. The basic idea of the perspective is that it is the individual firm, its resource allocation and how these resources are managed that explains differences in competitiveness (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; 2002). In this sense the RBP seeks to explain competitive differences by looking at the smallest unit of analysis: the resources (and, for the capabilities view, aggregations of resources). Indeed, as mentioned in the introduction, Penrose (1959) in her seminal work "The Theory of the Growth of the Firm" looks into how and why differences between firms at the micro level determine the limits to growth. Thereby implicitly claiming that the answer to the question "why do some companies outperform and outcompete others?" should be sought after in the uniqueness of each firm. Further she argues that this uniqueness that takes its form from the

resource allocation and management's use of these resources is the starting point for studying firm behaviour. The perspective has developed, grown and branched out over the decades. While the branching out has been a process of seeking greater precision in explaining companies' competitive situation – via studies of capabilities (Teece, 1993; Teece et al. 1997), core competencies (Prahalad & Hamel, 1990), resources in the knowledge perspective (Grant, 1996) – the underlying assumption have always remained the same: It is the heterogeneous resource-allocation across firms and the individual companies abilities to use these resources that makes a competitive difference.

We quickly see how this becomes a sharp contrast with entrepreneurship as creation and novel organisation of new resources, and the experience economy that focuses on how immaterial resources are central to value creation. We do, however, find openings to entrepreneurship in the focus on how firms are created via their resources, as emphasised by Penrose, and this has consequently been applied also in entrepreneurship research (e.g. Eisenhardt & Schoonhoven, 1996; Alvarez & Barney, 2004). As we mentioned in the opening of this article, even when resource based studies point out the need for creation of resources (Markides & Williamson, 1994), focus remains on management rather than entrepreneurship. We want to shift perspective – towards entrepreneurship.

The term resources, is a highly ambiguous concept (Kosselleck, 1982, 1985) and stretches, according to Penrose from physical equipment and human resources to waste and bi-products (Penrose, 1959: 24). Thus in order to apply the perspective for analytical purposes, and not merely as a conceptual framework for understanding competitiveness, more stringent models or methodologies must be embraced such as in Barney (1991) and Peteraf (1993). However where resources can be said to be the micro foundations of competitiveness the RBP also leads the way for focussing on aggregated resources in the form of capabilities (Teece, 1993, Teece et al. 1997) and competencies (Prahalad & Hamel, 1990, Hamel & Heene, 1993). While they have slightly different epistemologies they share the same ontology – difference lies in whether it is resources in their pure or aggregated form that is seen as most important for understanding, analyzing and explaining competitive differences.

That the border between resources and capabilities is a blurry one can be seen in the seminal work from Penrose where it is remarked that: “strictly speaking it is never *resources* themselves that are the “inputs” in the production process, but only the *services* that the resources can render” (Penrose, 1959, p.25, emphasis in Penrose's text). This is a line of argument that can be found also in Wernerfelt (1984) and Barney (2002). Thus our present focus is on both resources and capabilities as it is our belief that it is not only resources and capabilities that can yield competitive advantages but also the interrelation between the two in practice. Penrose's ‘can render’ is also pointing at the potentiality that requires an entrepreneurial effort to be actualised. Resources *will* not render anything, but *can* do so if they are ‘brought to life’ – and entrepreneurial organisation-creation deals

exactly with making resources valuable by giving them life. In the case of the experience economy, the creation of unique resource combinations is partly due to the active participation of the consumer, i.e., the presumption-phenomenon – consumer-becoming-producer. This makes the experience economy event based on a unique service, contextually and individually specific.

Furthermore the concept of heterogeneity is crucial to understand the role of resources in creating competitive advantage and wealth. Resources that are perfectly homogeneous cannot lead to a sustainable competitive advantage as they cannot be contained within the confines of the organization once they have proved to be of value. However, few resources are truly homogeneous. Indeed it would be rare to encounter two companies with identical resource allocations. Thus the argument of heterogeneity stretches further than the nature and kind of resources and also puts attention on the manager as it is the manager or management who defines the resources of an organization and how these are to be used. In this sense resources can be understood as socially constructed (Berger & Luckmann, 1967) by the organizations – led by the management. Therefore the argument of heterogeneity is also that of how resources are perceived and put to use. The traditional example is money as a resource. Money is a highly desirable resource, but also, by its very definition, highly homogeneous and can in itself never lead to a competitive advantage no matter how much is in possession. Strategic use of money or money in large quantities, used for specific purposes, can lead to competitive advantages. This also follows directly from Penrose quote above and this insight is crucial in order to fully appreciate the importance of looking at heterogeneous resources, and to look at this not only in relation to the resources as such but also at the services they can provide.

We have chosen to look closer at the VRIO (Value, Rarity, Imitability, Organization) approach (Barney, 1991). The reason for this is that it is easier to operationalize in relation to the empirical data than e.g. the framework developed by Peteraf (1993). This is mainly due to the fact that the VRIO actively includes the organizing of activities as a central parameter in deciding which resources that provides competitive advantages. This provides a viable link to the experience economy where organization creation stands as a crucial element in adding value through experiences. Another important reason for choosing Barney over Peteraf is that Peteraf adopts an almost neo-classical approach to the study of resources, firms and competitive advantages. While this gives his article analytical rigour and clarity it also brings about a rather static view of how competitive advantages are created and maintained. The alertness to valuable resources is solely seen in relation to already existing resources and the resources are limited to their role as input in the production. They cannot, it seems, be transformed or create other value than that of their input to a production of goods and services.

More implied than explicitly stated, the four elements in the VRIO are placed in a hierarchy with value as least and organizing as the most important aspect. This will be mirrored in the analysis where emphasis on the different elements

will increase from value through to organizing. The VRIO analysis thus puts more emphasis on the way resources are being organized, rather than just making sure that the resources are identified before others realise their potential, and kept in the organization by means of causal ambiguity and isolating mechanisms. The organizing aspect of the VRIO is particularly interesting in the context of this article as it provides a commonality between the RBP and entrepreneurship. Experiences are generated by entrepreneurial creation of a new organisation of resources in a particular way. It is in the creation of new organizing of resources that the resources' relational and situational value potentiality is generated, and subsequently how a unique value is added.

The application of the VRIO analysis to the case will also provide us with some valuable information concerning to what extent the model recognizes the specific characteristics of the resources involved in the creation of experiences. As mentioned previously the RBP has a somewhat static approach to resources and looks mainly at their value as productive input in the generic form of the resource. Less attention is paid to how the resource can develop, change, transform according to how it is being organised and used and to how this use is being co-determined by the market (as in the experience economy). In the RBP resources are not considered to be productive before they are discovered by managers or entrepreneurs (Penrose, 1959; Rumelt, 1984; Barney, 1986; 1991; Peteraf, 1993) but once they are discovered or realised they remain in that form and of the use that is stipulated by a managerial emphasis on exploiting them. The question is whether we can make the RBP extend to include the entrepreneurial emphasis on creating resources and creating new resource combinations once the new resources are realised.

3. The Experience Economy: Innovation and Entrepreneurship

3.1. Background

The perhaps dominant strand of the 'definition- or paradigm debates' in entrepreneurship, following upon the Low & MacMillan (1988) call for 'a real discipline', has focused on the so-called individual-opportunity nexus (Shane & Venkataraman, 2000). The questions here are several: 1) whether opportunities are discovered/recognised or created (e.g. Gartner et al 2001); 2) whether the individual should be the proper object of analysis (recognising the individual-opportunity nexus as a relationship, e.g. Steyaert, 2007); 3) and whether that focus (on that nexus) simply fetters entrepreneurship scholars at the touchstone of equilibrium economics (and its relationship to neoclassical economics, cf. Chiles et al, 2007), which in turn prevents us from developing a processual entrepreneurship theory with conceptual influences beyond the parameters set by

economics (cf. Hjorth & Steyaert, 2003). It would be premature to conclude that the individual-opportunity nexus has solved the rather typical 'problems' of a young discipline with unclear boundaries and definitional anxieties. We are not interested in playing on these, in our mind, unjustified anxieties of entrepreneurship scholars', primarily as we do not agree with the model in relation to which they acquire the status as problems (Hjorth, Jones & Gartner, 2008). Rather, based on the empirical case, we want to elaborate on the inherent entrepreneurial aspects of the experience economy and in particular take a closer look at the role of organisation creation as an entrepreneurial capability that generates new value for the customers and an entrepreneurial rent to the firm (cf. Alvarez & Barney, 2004). Instead of contributing to unity and the striving towards general models, we thus operate contextually to differentiate experience-economy-entrepreneurship and discuss the limits of a RBP.

It seems that the resource based approach has a somewhat static view on resources; this in turn creates some issues in relation to entrepreneurship studies. It is evident in Alvarez & Barney (2004) where the authors use a resource-based view (RBP) and transaction cost economics logic to explain the existence and role of entrepreneurial firms. While it is interesting to see how entrepreneurial behaviour and the idea of the entrepreneurial theory of the firm can be developed and explained by the RBP perspective with elements of agency theory and transaction-cost economics theory, it is obvious that there are a number of areas where the approach seems to have a reductionist effect on determining entrepreneurship. While this creates potential difficulties in fully explaining contemporary entrepreneurial phenomena by means of the RBP it still remains a very valid perspective for describing and explaining firm performance. This study provides inputs to the further development of the RBP in a way that opens up for a view of resources capable of analysing the experience economy. This will further extend the scope of application of the resource based perspective. Going back to Penrose's work (Penrose, 1959: 24) we relate to the process of value creation). We arguably cannot remedy all problems with how entrepreneurship is considered (or not) in RBP studies. The purpose, however, is to focus on how the capability of creating new resources, and the organisation creation that this necessitates, has become much more central in the creative (innovative- or experience) economy.

Professor Jay Barney is arguably one of the main proponents of the RBP in its contemporary version and has authored some of the most central works within the field (Barney, 1986; 1991; 2002). At a recent inauguration speech as an honorary doctor at CBS (April 4th, 2008) Barney said that the future development of RBP would mean to pay closer attention to the role of entrepreneurship. Interestingly enough, this was connected to the necessity to look closer at how resources became valuable – how resources could gain value by being organized by individuals or firms based on not yet existing demands. This would constitute a break-away from the traditional approach in RBP where resources already

possess value once they are discovered or appropriated. Utilising an experience economy case, this study looks closer into how resources become valuable through entrepreneurial organisation creation.

3.2. Entrepreneurship in the Experience Economy

Entrepreneurship produces the experience economy, which in turn provides potential opportunities for experience-economy-entrepreneurship. Experiences are that extra, immaterial/intangible dimension in consuming that increasingly is demanded by consumers. It is based on the need to participate in the production process, and the search for relational uniqueness as result of such creative co-production. The experience economy consumer wants to become affected by active participation: this is a consumer-becoming-producer event (Hjorth, 2007: 257). There are, however, some central characteristics of this form of entrepreneurship that resonate not only with our case, but also with elements of our previous conceptualization of entrepreneurial processes. These are:

1. Entrepreneurship is practiced as a form of social creativity that operates on the organized, established orders.
2. Dominant among such orders is presently a managerial order directed by emphasis on economic efficiency and control.
3. Entrepreneurship, therefore, needs to create new orders, which in turn demand new forms of organization.
4. Operating always on a playground ruled by the strategic impacts of managerial discourses, entrepreneurship has to proceed via tactics, which "...produce a *difference* or unpredictable event which can corrupt or pervert the strategy's system" (Colebrook, 1997, p.125).
5. Such transformative "insinuation" of an anomalous supplementary element into a prescribed order (described by Ahearne, 1995: 163) can be generatively described in spatial terms as the creation of a "space for play." (de Certeau, 1984; Hjorth, 2005)

If we make this conversant with an image of entrepreneurship that upgrades the importance of the aesthetic event (defined here as what creates affect and rupture in our habituated thinking and practice) as part of the experience in an experience economy, we are provided with new possibilities to imagine and describe such forms of experience economy entrepreneurship.

Alluding to Spinoza et al. (1997), we believe it is practically relevant to describe an entrepreneurial event as one that changes the style of relating to

objects and people, and which results in a new order, requiring new forms of organization of everyday practices. This is consistent with definitions of entrepreneurship as organisation creation (Vesper, 1980; Gartner, 1985; Hjorth, 2003). This approach is consistent with a much neglected approach to entrepreneurship presented in Schumpeter's 'Economic Change and Entrepreneurial History' (1949), where the collective and organisational nature of entrepreneurship is analysed. To qualify as an event, an experience has to be set off from the "ongoingness" of the everyday. Our case shows that the aesthetic element is central to this experience. The aesthetic element effects disorientation and the creation of affects (bewilderment). We believe that this particular aesthetic quality of the experience is decisive for it to be related to as an event in the experience economy. Our emphasis on creation locates us within a Schumpeterian view of entrepreneurship, generally associating it with innovation (and stressing creativity as both constructive and destructive). Entrepreneurship is then subsequently not only about recognising opportunities but more importantly about creating and developing opportunities. This is what potentialises the context for the consumer that is (aesthetically) drawn into the 'presumption' that completes the experience.

An event, having created a rupture or disorientation, makes space for introducing the transformative insinuation, the supplementary order that changes the way we organize our everyday life. Entrepreneurship is the creative force that creates a rupture and makes use of this to introduce a new order in this space for play. Such new orders, in the context of social practices, need to be "translated" into new forms of organization. This is entrepreneurship in the experience economy: "making use" of people wanting to get "disoriented," and enjoying the subsequent organization into new social practices – the qualitatively new belonging that comes with this event – that is achieved in presumption. Entrepreneurship in the experience economy is based on a heightened sensitivity (sensation not dominated by perception) before these actualization processes; before the passages, the potentials, the transformative qualities of experience. This creation of an experience economy event, dis- and re-orientation, depends on the organisation-creation capability. We understand this as experience-economy-entrepreneurship.

We will now turn to our case, Volkswagen's (VW) luxury car Phaeton, selected as it provides rich illustrations of the workings of an experience economy². After describing this, we will turn to discussing Phaeton from a resource-based perspective. This provides an opportunity to analyse the case at the backdrop of the recent conceptualisation of experience economy entrepreneurship. From that we elaborate on the possibility to enrich the RBP further by this new attention to experience-economy entrepreneurship.

2. The case descriptions draw on previous publications of them as found in Hjorth (2007) and Hjorth and Pelzer (2007).

4. Case: VW's Phaeton

Volkswagen's Phaeton – the experience of luxury

“On the road of life, there are passengers and there are drivers.”, they tell us in the Volkswagen Phaeton movie (www.vw.com/phaeton/). And then we read “Drivers wanted!”

Volkswagen has constructed and launched a car designed to compete against the BMW 7-series and Mercedes 500 S-class, and this is a company born as producers of “the people’s car.” To make this possible, Volkswagen saw it as necessary to draw on art/literature to properly set the stage for this diversion. Phaeton, in Greek mythology, is the son of the sun god Helios. Helios drives the sun chariot over the firmament. When bullied by his school mates at a young age, challenging him as to whether he was really a son of a god, Phaeton was advised by his mother to “go and ask” his father in person. To prove to Phaeton that he indeed was his father, Helios promised to fulfill his every wish. Phaeton, of course, wished that he could drive the sun chariot. Although he was warned by his father that the horses might sense the inexperienced driver at the reins, Phaeton refused his advice and entered the chariot (a desire for play, the sensation of the event-dimension of potential). Of course, the horses ran for their freedom and good old Zeus eventually had to stop the emerging catastrophe with a classic thunder bolt. By then the earth was already burnt (the creation of deserts). Phaeton’s sisters mourned their brother and their tears, so the story goes, explain the presence of amber today.

Volkswagen uses this story to focus on the car/chariot and the “first race in history”. There is an immediate question here, and the editor (Buchholz) of motor magazine (mm) also asks it:

Buchholz: Warum hat VW für sein neues Modell eigentlich ausgerechnet den Namen des populärsten Unfallopfers in der griechischen Mythologie gewählt? *Why did VW, of all names, actually choose the name of the most popular casualty in Greek mythology for its new model?*

Bobsien: Der Wagen des Gottes Helios hat die wilde Fahrt unbeschadet überstanden. Er hat nach der Sage jedenfalls weiterhin die Sonne am Himmel entlanggezogen. Der Fahrer, Phaeton, wurde herausgeschleudert...*The carriage of the god Helios has survived the wild journey undamaged. According to the saga it continued to pull the sun along the sky. The driver, Phaeton, was flung out of the vehicle....*

Buchholz: ...und starb....*and died.*

Bobsien: Zeus hatte bestimmt, daß der Fahrer nicht überleben sollte. *Zeus had decided that the driver shouldn't survive.*

(Interview with VW speaker Jens Bobsien by the editor of motormagazin Christain Buchholz, 2001)

Clearly the sense of drama is well established. The Phaeton is further contextualized by the *Transparent Factory* (glass construction) built only for the purpose of assembling the Phaeton cars at Dresden (a baroque city). The *Transparent Factory* stages production in a totally new way and makes this also into a drama. One can watch workers in white overalls moving around on parquet wooden floors with gigantic robot arms bringing the hanging cars to the workers, and not the other way around. This is on display since, again, the factory has glass walls. The idea is to communicate a new era in car manufacturing, an era that indeed thrives on the manufacturing tradition (handicraft) of Dresden, an old porcelain centre. The would-be owner of the car can see how it is being produced – already here we see a glimpse of the presumption. Car manufacturing is not something to be hidden but something to be displayed, a show to be watched.

The staging is already a way to snatch people out of the everyday and convince them that they are part of something bigger, mythological, literary, or artistic. Having the opportunity to sit down in one of those god-like creations (you have to spend some €70-80,000 to buy one) is a culmination of this staging process and exemplifies, par excellence, the aesthetic experience. Emphasis, however, is placed on seduction via extreme customization. Luxury dazzles you as part of the staging event. If you are to pick up a car you have bought, a specially designed train transports you from Dresden's central station out to the factory. While there, a gourmet dinner and an "event area" awaits you and will entertain you to make sure your appetite for "the best" is satisfied. Soon enough this moves into a reorientation when the idea of "what this car could do for you" is in focus. Producing and selling Phaeton is a theatrical event, a staging where the customer becomes the main character in a tightly directed play.

5. Resource Based Analysis of the Case

Interested as much in what cannot be said when using the resource based terminology, our reading of the case from a RBP serves the purpose to test the explanatory power of a conventional strategy theory on an empirical setting which is based on an at least partially different or new economic logic i.e. the experience economy. The RBP, due to asking fundamental questions about the nature of the competitiveness of firms, is distinguished by relatively universalistic claims – it is applicable on all companies since all companies consist of resources and capabilities. It has been phrased that resources can be seen as the micro

foundations of competitive advantage and this can certainly serve us as an analytical framework for the study of how experiences are created. Will the assumptions and analytical tools based on a production and service economy (Penrose, 1959; Lipmann & Rumelt, 1982; Wernerfelt, 1984; Dierciex & Cool, 1989) and later aligned with the knowledge-based economy (Grant, 1996) carry into an economy where added value is increasingly created through temporary and relational production-consumption (prosumption) events constituting experiences?

The question is whether how the resource based perspective could be transformed in order to display analytical power also in an experience economy. Having learnt from an entrepreneurial perspective it will be interesting to find out what insights we can draw from the same case using the resource based perspective. Isolating mechanisms and causal ambiguity stand out as central sources of explanation in the RBP and it also stands to reason that they play a role in creating experiences. If an experience is transparent in its making or in its exact composition it can easily be copied and one might pose the question: is an experience that can easily be copied or de-constructed really an experience?

Our experience economy case forces us to broaden our view on rent or value to also include aesthetic outcomes such as affect and disorientation, and the sense of belonging that follows from participation in creative prosumption-processes. AS opposed to the industry-based perspective (Porter, 1980), or the boundary approach (Williamson, 1975), or other major strategy perspective the RBP brings us, partly directed by Penrose (1959), to the individual-firm interaction and how this relationship is accomplished in this case via entrepreneurial organisation creation. The point of departure is here similar to that of the RBP, whereas the focus is placed on creation and entrepreneurship. For sure, it has been shown earlier that the RBP can be applied to shed light on phenomena of the experience economy (Jensen in O'Dell, 2005). However, when putting the RBP to use in analysing our experience-economy case, we get to investigate the analytical limits rather than strengths of this perspective.

The case is at the first glance a car factory taking a new spin on the making of luxury cars and creating customer loyalty in the process through the use of technology and unique customer experiences. The usual logic of car manufacturing is put to a test by mixing the mass product image usually attributed to cars with an innovative design of the assembly line as well as the market channel.

The question of value is interestingly enough also the most puzzling one as it is not clear, at first, exactly how the Phaeton concept is meant to add value. Upon closer scrutiny it becomes apparent that it is the unique and consistent aesthetisation of the whole production chain that provides a clue. The process is like a score for an opera where the car is the plot and the audience the main character. The prosumption event is based on this sense of a seamless/consequent carrying out of a performance one gets invited to. We here find the dynamic

capability expressed in the organisation creation that allows VW to relate a baroque and handicraft city (Dresden), a non-industrial architecture (The Transparent Factory), highly stylised assembling ('on stage', visible as a spectacle), and luxury consumers (taken in by the 'honesty' of the 'transparent factory'). While undoubtedly expensive the unique constellation of resources does add value to the company. The question of rareness is much easier answered as it is not only rare but one of a kind in the automobile world. There are no other car manufacturers using the approach chosen by VW. The resources – and in particular the organisation of them that renders them their uniqueness is unparalleled by all competitors. From the striking layout of the facilities to the lavish ceremony under which the car pass ownership the resources used are by all means unique.

The question of whether the resources used in the Phaeton project can be imitated or substituted is, 'yes they can', but at a very high premium and without any guarantee of success, leaving both options to be theoretical options more than real strategic choices. Rarity and imitability interacts: the rareness makes it practically impossible to imitate successfully. As for the substitutability there are several options, but Phaeton is luxury within reach. The whole complex system, based on the entrepreneurial capability of creating organisation of place, architecture, style, design and customer-interaction seems to be what, in VW's view, safeguards Phaeton from being one amongst many luxury cars. The system guarantees a continuous dynamic capability as customers' involvement in the 'musical score' of the Phaeton opera can be varied endlessly. The role of social complexity as a means of protecting the value-creating/retaining aspects of resources (Mahoney & Pandian, 1992; Peteraf, 1993; Barney, 2001) is here provided a new meaning.

5.1. Summing Up

We can see that the resource based view and the VRIO analysis in particular can also be used to show how the case creates competitiveness through their use of resources by mixing unique resources with generic resources in unique ways. Even elements of the experiences embedded in the case can be glimpsed at. Not as experiences in the form commonly known in the experience economy but as heterogeneous resources that are either valuable, rare, difficult to imitate or substitute, and which are made effective as generating new value through organisation creation. Thus the particular elements that make the experience economy unique is the fact that emotions, experiences and pleasure can lead to competitive advantages which cannot as such be captured in full by the RBP's attention to identifying material resources independent of customer relationships.

Possibly the link between them could be causal ambiguity. Causal ambiguity (Lipmann & Rumelt, 1982; Rumelt, 1984; Reed & Defillipi, 1990) is often used

on an almost residual basis in the RBP (Barney 2001; Lado et al., 2006) leading to the insight that the most valuable resources are those most difficult to identify and manage (Spender & Grant, 1996). This, however, is where we run into the limits of the RBP. The experience economy case, by forcing us to focus on the ephemeral creation of the prosumption-moment where the experience becomes a value, makes it necessary to include the creation of resources (and new resource combinations) and not simply the identification and managing of them. For it is the temporal, ephemeral dimension in the experience economy event that secures the relationally unique values for the consumer (prosumer). This is something that, in turn, adds value to the experience: it is fully individualised (or customized as Pine & Gilmore, 1999, would describe creation of customer-unique value), contextually specific, impossible to capitalise on beyond the moment, and thus a basis for ever new demand.

We would thus like to explore this distinction between managing resources and creating new as a basis for elaborating on how the RBP can be critiqued for lacking an entrepreneurial dimension that would provide a basis for it to maintain its analytical power also in a creative economy.

6. Discussion and Conclusion: Managing Existing Resources and Creating New Ones

It is the creation of organisation that provides a distinctive entrepreneurial take on the resource based view. This is consistent with a Schumpeterian view that emphasises innovation and creativity as distinguishing marks of entrepreneurship, and the subsequent tradition within entrepreneurship studies that focuses on entrepreneurship as organisation creation (Vesper, 1980; Gartner, 1985). This Schumpeterian view of entrepreneurship thus emphasises the action that creates opportunities over existing opportunities, having their base in market imperfections or the potential utilisation of resources.

The RBP shows great analytical strength in explaining the competitiveness of firms based on a focus on strategic development springing from applying resources for generation of rent. However, the perspective tends to focus statically on existing resources and prioritises management as a form of knowledge and practice in firm's strategic development. This managerialist focus on 'what is there' and efficient stewardship is clearly inadequate when it comes to theorising competitiveness in the creative economy. Our experience economy case has been used to emphasise this need to rebalance our analytical attention from focusing on managing existing resources towards entrepreneurially creating new. Also when the RBP theorists occasionally discuss creation of new resources, they tend to cling on to management as what is needed. We suggest that this historically mediated tendency to maintain attention almost exclusively to management, strong in most business administration research, needs to be broken. The creative

economy requires organisational entrepreneurship (Hjorth, 2005) to maintain and certainly to build competitive advantages.

There is thus a blind spot in the RBP which is where entrepreneurship (as organisation creation) and the creation of resources are to be found. If value is increasingly based on immaterial resources, on the aura of products and services, on the possibilities of 'prosumption' as basis for participation, on the generation of affect and disorientation as pleasurable in the exercise of oneself as consumer/employee (cf. Pine & Gilmore, 1999; Hardt & Negri, 2000; Negri, 1999; Idema, Rhodes, & Scheeres, 2005; Hjorth & Kostera, 2007), then the RBP needs to become 'entrepreneurialised.' We have scratched on the surface of such a project.

In addition, we would also say that there is somewhat of a blind spot still in entrepreneurship studies, where the so-called individual-opportunity nexus (Shane & Venkataraman, 1997) prevents a de-individualised focus on resources (cf. Steyaert 2007). This article may also provide new reasons for entrepreneurship scholars to engage with a RBP of the entrepreneurialised kind initiated here.

The analysis presented in the article shows a potential way of overcoming a blind spot in the RBP by adding the organisation creation capability of entrepreneurship. Eisenhardt & Schoonhoven (1990) mention that the initial resource endowments as well as the ability to acquire new critical resources are of pivotal importance for the success of new ventures. Similar arguments are found in (Pfeffer & Salancik, 1978; Birley, 1986; Boyd, 1990) though based on different assumptions. This can be said to open up for the role of entrepreneurial creation in the RBP, particularly as concerns Eisenhardt & Schoonhoven (1990) as they work explicitly with the same assumptions as does the RBP. However, Eisenhardt & Schoonhoven (1990) are mainly occupied with the possible limitations to new ventures and how the initial endowments usually have an important role in the routines that are established in new ventures thereby showing how the initial resources and management's ability to acquire new resources create path dependencies.

Still the discourse related to the value of resources suffers from the same flaws or limitations as does the traditional RBP arguments; value is something that either is present or not. Non-valuable resources cannot be transformed into valuable ones. Some have the ability to spot valuable resources ahead of others – if that was not the case all resources would be subject to price competition to the point where they yielded no profit. Also some companies are better at using resources and building capabilities than other and through social complexity, time compression and causal ambiguity they can keep their advantage over time.

But in entrepreneurial creation an important aspect is precisely to create value by creatively organising resources. The entrepreneur cannot know if the resources or capabilities will indeed turn out to be valuable, as the value is infused through the creation. And in the case of the experience economy, value is created not only by the producer but also – possibly even more so – by the consumer. Even if our

case also yielded fruitful results by applying the VRIO approach, that approach did not fully catch the complexity of the case. In the case the resources that lead to competitive advantages are fulfilling the VRIO requirements through creation and enactment. Without the audience or consumer it is simply mass produced cars that are being sold. The uniqueness is the result of a process, of entrepreneurs having vague ideas of demands either latent or non-existent that come to life. The value of the resources and capabilities exist in tension between company and consumer, which has implications for the concepts of ex-post and ex-ante limits to competition (Peteraf, 1993).

It also highlights that while Eisenhardt & Schoonhoven findings (1990, 1996) are important contributions to an expansion of the RBP they have shortcomings when it comes to explaining how and why the resources are valuable. Possibly they also overemphasise the constraints of smaller firms in the upstart period as this is based on a traditional approach to resources. It may be that small firms fail not due to an inadequate initial resource endowment but due to their failure in making their resources valuable. This argument would be an elaboration of Eisenhardt & Schoonhoven (1990 & 1996). As concerns Eisenhardt & Schoonhoven (1990) management teams would not only be measured on their ability to attract critical resources but also on how they create critical resources through the prosumption process in the experience economy. The alliances referred to in Eisenhardt & Schoonhoven (1996) would not only be the traditional ones between firms but also between firms and their customers with the valuable resources being transformed into products and services through the guidance of entrepreneurial creation and the acceptance of the active and creative role of the consumers.

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