CHAPTER 8

GRAPPLING WITH THE CHALLENGES OF START-UP IN THE DESIGNER FASHION INDUSTRY IN A SMALL ECONOMY: HOW SOCIAL CAPITAL ARTICULATES WITH STRATEGIES IN PRACTICE

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ABSTRACT

Creative industries, such as the designer fashion industry (DFI), are among the toughest in which to establish sustainable business ventures. While studies have examined how networks and social capital contribute to independent DFI start-ups and why such businesses fail, these studies have been largely restricted to well-established entrepreneurial spaces like London, which differ in structure and size compared to emerging DFI entrepreneurial spaces in small economies like New Zealand. This chapter addresses this gap in the creative enterprise literature by presenting findings from an examination of 12 New Zealand fashion designers’ accounts of their responses to start-up challenges. The analysis, which paid particular attention to the relationship between social capital and reported strategic practice, revealed that the designers’ challenge profiles and strategic responses were linked to very ‘biographical’ personal
networks and their personal enterprise orientations. While those designers with well-established networks started the most resilient businesses, the analysis revealed that even these designers were not necessarily particularly strategic when tapping into the social capital embedded in their networks. Overall, the findings provide further confirmation of the importance of social capital and network management during start-up. Most significantly, they demonstrate why designers need to be forward looking and employ a strategic approach to developing and accessing social capital and when making business decisions. Those who did so were more likely to have viable ventures than those who accessed social capital in order to react to unanticipated challenges.

**Keywords:** Designer fashion; start-up challenges; social networks; social capital, enterprise orientations

**INTRODUCTION**

Business start-up can be an exhilarating experience but for many nascent business owners the challenges they face quickly erode this exhilaration. Start-ups in creative industries such as the designer fashion industry (DFI) are among the most challenging, largely because of the ‘creativity-business tension’ (Mills, 2011a), the paradoxical business management challenge that permeates the creative industries (Yanyuan & Shikui, 2016) and must be resolved in order for new ventures to thrive. This tension, together with the seasonal production cycles of the DFI and the vagaries of customer demand fed by the unfathomable complexities of consumer psychology, make this industry sector one of the toughest in which to establish a sustainable business. At the same time, like other creative industries, the DFI is growing in social and economic importance (Rae, 2004, p. 492), particularly in recessionary and post-recessionary times (Henry & de Bruin, 2011, p. 1) and notably in New Zealand.

Creative industries are now being proposed as ‘hubs of new organizational and business practices’ (Lampel & Germain, 2016) and, in the case of the New Zealand fashion industry, a vehicle for branding a city (Thompson-Fawcett, 2007) or the country’s image and taking this to the world (Larner & Molloy, 2007; Molloy, 2004). In countries like the UK where the DFI has a long history, such effects have stimulated a great deal of research activity although in recent times special issues examining the creative industries (e.g., the special issue of *Journal of Business Research*, 2016, Vol. 69) have overlooked the DFI in favour of studies of the film and ICT industries. Paradoxically in New Zealand, a small country where the contribution of the DFI to GDP has been rapidly rising, academic publications on the industry have declined, increasingly leaving the glossy fashion magazines, newspapers and blogs to tell the DFI start-up stories.

New Zealand, a country that is often described as one of the easiest in the world to start a business, presents nascent entrepreneurs in the DFI with a
tiny domestic market, very limited sources for venture capital and a fragile and depleted manufacturing sector; so starting a new venture is particularly risky. Furthermore, New Zealand’s DFI is unlike those found in larger economies such as the UK and France where large fashion design houses exist alongside small independent design businesses. The few fashion houses in New Zealand are very small by international standards and operate in a DFI dominated by high-end boutique micro-enterprises (employing 1–3 staff) that exist on a precarious knife-edge between fame and fortune and the ever-present threat of insolvency. Larner and Molloy (2009) describe it as:

an unexpected success story, this rapidly growing export-oriented industry is dominated by women as designers, studio employees, wholesale and public relations agents, industry officials, fashion writers and editors, as well as in the more traditionally gendered roles of garment workers, retail workers, taste-makers and consumers. (p. 38)

This chapter takes a closer look at the lived-in reality of venture creation in the New Zealand DFI by exploring the start-up narratives of 12 independent fashion designers who participated in a nationwide study of 44 DFI start-ups in. It specifically seeks to understand more about the entrepreneurial spaces in which they operate and the strategies they used to navigate the start-up challenges they faced. It reveals a competitive entrepreneurial space where resources are notoriously hard to source for micro-businesses, especially outside the main centres, and market conditions and the designers’ enterprise orientations mean that short-term challenges predominate. It also shows that, like most other industry sectors, designers access personal and profession networks to ensure their fledging businesses do not fail immediately in the face of, often overwhelming, challenges. At the same time, it reveals that engagement with these networks and the way social capital embedded within them is employed can be idiosyncratic and lack a long-term strategic direction. Even so, when considered alongside the findings of the wider study it is clear there is a vibrancy and determination in the industry, particularly in the cities of Auckland, Wellington and Dunedin which spearheaded the remarkable transformation and growth of the industry from its ‘moribund’ state prior to 1991 (Molloy, 2004, p. 478). While designers can be found across the country in both large centres like Hamilton and Christchurch and smaller ones like Wanganui and Nelson, it is in Auckland, Wellington and Dunedin that the fashion consumer is spoilt for choice when it comes to edgy, home-grown designer fashion-wear created by independent top-end designers.

This chapter is organised in the following way. First, it explores the literature on creative start-up and provides a summary of relevant literature from the expansive literature on networks and social capital. Then it explains how the study was conducted before presenting findings that show how the fashion designers approached the start-up challenges they encountered and how networks and capital contributed to their business survival and evolution across the emergence stage of their enterprise development trajectory (Mills, 2011b). It concludes by reflecting on how a more strategic approach to developing and accessing social capital could make this evolution much more certain.
CREATIVE INDUSTRY START-UP

A discernible rise in creative industry research globally over the last 15 years has accompanied mounting recognition that this heterogeneous sector is growing in social and economic importance (Bruin, 2005; Chun, Gurova, & Niinimäki, 2017; Lampel & Germain, 2016; Pratt & Jeffcutt, 2009; Rae, 2004, p. 492), particularly in ‘recessionary times and post-recessionary times’ (Henry & de Bruin, 2011, p. 1). Researchers’ attention has focussed on the design process (e.g., Rieple, Gander, Pisano, & Haberberg, 2015), brand development (e.g., Ferrero-Regis & Lindgren, 2012; Kang, 2014; Matthiesen & Phau, 2010; Millsbaugh & Kent, 2016; Moore & Birtwistle, 2004; Moore & Doyle, 2010; Roser et al., 2014), manufacturing chains (Gornostaeva, Rieple, & Barnes, 2014) and designers’ careers (e.g., Yagoubi & Tremblay, 2016).

Challenges of business start-up, a topic at the heart of entrepreneurship scholarship, have been studied from all manner of perspectives across many industries but only in relatively recent times has start-up been studied in the creative industries (see de Bruin, 2005; Henry, 2007; Henry & de Bruin, 2011; Rae, 2002). Moreover, while creative sectors such as ICT and film have drawn scholars’ attention, how fashion designers struggle to gain a foothold that allows them to establish viable business ventures in this dynamic and precarious industry has not been extensively studied (Gornostaeva, Rieple, & Barnes, 2014). This is not to say there is an absence of studies on survival in the DFI. Examples of such studies include the author’s (Mills, 2011a, 2011b, 2012, 2013) ongoing New Zealand studies and Malem’s (2008) study of fashion designers’ survival strategies and the gap they must navigate between design and production sectors in London, a city that is considered to be very supportive of new design businesses (Evans & Smith, 2006; Gornostaeva et al., 2014). The New Zealand research findings have suggested that differences in scale and structure between the entrepreneurial spaces in large globalised fashion hubs like London, Milan, Paris and New York and New Zealand may mean that findings from these large hubs may not be applicable in New Zealand although there are definite similarities between New Zealand and the mainly female-led, designer-owned, micro-enterprises populating Berlin’s fashion scene (see McRobbie, 2013) and other non-traditional fashion hubs such as those in Denmark, Hong Kong, Canada and Brazil (Larner & Molloy, 2009).

Start-up in the DFI was studied in depth in a national study of New Zealand’s nascent fashion designers’ start-up narratives (Mills, 2011a, 2011b). This revealed how the start-up experience varies according to the ‘enterprise orientation’ of the designer, a concept that takes into account a designer’s motivation, aspirations and self-identity. Three enterprise orientations were identified: creative enterprise orientation (CEO), creative business orientation (CBO) and fashion industry orientation (FIO). A designer with a CEO self-identity sees him or herself as an essentially creative person, is motivated by a desire to realise their creative potential and aspires to become a designer. In contrast, a designer with a CBO sees him or herself as a creative businessperson, is motivated to be self-employed and aspires to build a successful label. A designer with an FIO has a sense of being a creative or style-focussed business person, is motivated by a desire to participate in the fashion industry and aspires for success in this industry. This success
may not necessarily involve them becoming a designer as staff or contractors may fill this function. Mills (2011b) found that these three orientations mapped out a space within which the nascent business owners located themselves as they grappled with the challenges of marrying together design and business activities. No similar studies have been identified elsewhere. The nearest was Raffo, Lovatt, Banks and O’Connor’s (2000) study of higher and vocational education activities undertaken by cultural entrepreneurs as they established their businesses, which included entrepreneurs from the fashion sector. This study concluded that learning for these entrepreneurs was more about acquiring social capital than technical or business skills (Raffo et al., 2000).

### Social Capital and Networks

As Anderson, Park, and Jack (2007, p. 246) observe in their comprehensive review of social capital, we live our lives ‘embedded in social situations’ which give us access to actual or potential resources (Bourdieu, 1986) as a result of the relationships that emerge from this social existence. These resources are referred to as ‘social capital’, which is commonly defined as ‘the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by individual or social units’ (Nahapiet & Ghoshal, 1998, p. 243) that can be used to advance the objectives of an individual or a group (Dakhli & De Clercq, 2004, p. 110). The value of social capital can only be fully appreciated when we recognise its multidimensional nature. Nahapiet and Ghoshal (1998) provide a framework for doing this by proposing that social capital has interrelated structural, cognitive and relational dimensions.

The **structural** dimension of social capital refers to the configuration of a network and the types of ties that exist between its members. These ties are described as *bonding* ties when members communicate frequently in ways that foster and sustain trust and a sense of relational intimacy as well as a shared moral code. Such ties foster homophily and strong intra-community connections. In contrast, *bridging* ties are looser and foster openness and a network heterogeneity that brings members into contact with new and unfamiliar resources and experiences. Such networks become most important once a business has overcome the liability of newness and its needs diversify (Burt, 1997) as it seeks to grow.

The **cognitive** dimension of social capital refers to the common meanings and representations that exist among people and support communication and collaboration. Increasingly, research is suggesting that this dimension of social capital positively affects a firm’s innovativeness (Jonsson, 2015).

The **relational** dimension refers to the type and quality of the relations between people (Nahapiet & Ghoshal, 1998) and has been measured in terms of trustworthiness (ascribed to individuals) and trust (ascribed to the relationship that exists between individuals) (Tsai & Ghoshal, 1998). When both exist in relation to the individuals and the relationship, respectively, then emotional support, communication, collaboration and sharing are facilitated. When resources are exchanged under these conditions then this forms expectations and obligations that serve to further reinforce the relationship.
Nan Lin (2004) focuses on the instrumental nature (as opposed to its expressive qualities) of social capital and makes the point that social capital needs to be understood in terms of the action taken to access it.

Social capital is social and useful. It is ingrained in social relations and facilitated or constrained by them. But within such structural opportunities and constraints, action makes a difference; given the same extent and array of relations for two actors, the outcomes may differ, depending on their choice behaviors (p. xi).

It is this ability to advance business objectives that makes social capital such an appealing concept in the field of entrepreneurship.

An exploration of the entrepreneurship literature reveals a general agreement that social capital ‘relies on trust, social interaction, associability, interdependency between individuals, and the utility of social networks’ (Anderson et al., 2007, p. 264); however the concept has continued to have what Ikeba (2008, p. 167) calls ‘an unhelpful vagueness’. For instance, there has been considerable discussion about the nature of the resources to which social capital refers, how they are accrued and accessed and what purposes they are put to.

Networks and social capital are interdependent concepts. Anderson et al. (2007, p. 265) suggest that you really cannot talk about one in the absence of the other. This is because social capital emerges from the interactions that occur within social networks, each of which consists of a set of individuals or organisations and the linkages between them (Brass, 1992). The range of possible networks that an entrepreneur might engage with can be divided into personal (informal) and formal networks and can be differentiated according to the type of content exchanged between members, the mechanisms that govern their relationships, and the network structure (Hoang & Antončič, 2003, p. 168) and whether they involve weak or strong ties. Family members are typically members of personal networks and are the most trusted (Bratkovič, Antončič, & DeNoble, 2010, p.102). They are most likely to be involved (Klyver, 2007) and particularly valuable in the initial start-up phase of a business (Birley, 1985; Brüderl & Preisendorfer, 1998; Burt, 1997), providing emotional support and assisting with the resource acquisition process but as the process progresses members of formal networks (e.g., accountants) become more important (Bratkovič et al., p. 102). As noted earlier, it seems there is a shift over the development of a business from reliance on strong network ties during emergence to weak ties (Granovetter, 1983) as it grows. Certainly, Brüderl and Preisendorfer (1998, p. 224) in their study of 1,700 randomly selected emerging German businesses concluded that, ‘support from strong ties seems to be more important than support from weak ties’.

Larsen and Starr (1993) propose that networks used to support new ventures go through a development process, which sees the content, relationships and governance structure of the networks change. In the first stage, the network actors are family and friends and the key network activity is identifying contacts and resources to support the establishment phase of the business. Stage two sees the shift to formal contacts (Bratkovič et al., 2010, p. 102). Over time this contact becomes characterised by relationships that are more social and affectively charged. Most significantly, the norms for engagement in these relationships move from *quid pro quo* to operating on trust and being concerned about sustaining
appropriate reputations (Hoang & Antončič, 2003). The third stage sees the relationships become more multiplex and the quality of the information exchanged become of much higher quality. Greve and Salaff (2003) also propose that the establishment of enterprises occurs in phases and use Wilken’s (1979) three start-up phases: motivation, planning and establishment in a study designed to explore the nature of critical network activity during start-up. The application of such orderly phase approaches to entrepreneurship needs to be approached with caution and framed as multidirectional because of the way challenges that have not been anticipated can emerge in the course of a start-up process and require the entrepreneur to return to a previous phase. As we will see in the Methodology section, by taking an inductive approach and privileging the voice of the fashion designer, the study reported here avoided the temptation to impose an orderly phased start-up framework onto either the data collection or analyses processes. Even so, the findings show a high level of synchrony with Mills’ (2011b, p. 188) enterprise development trajectory, which is a phase-based framework.

There is widespread agreement that the networks in which a new business is embedded have a significant influence on how it responds to business challenges (Bratkovič et al., 2010, p. 101). This view is consistent with the ‘network success’ (Witt, 2004, p. 394) and ‘business founding’ (Burt, 1992, p. 36) hypotheses, which propose that entrepreneurs with large and diverse networks are more successful than those with smaller networks and that network activities, resources and support are relied upon heavily by new businesses. These hypotheses remain popular despite conflicting empirical evidence that suggests a range of factors including the age of a business, the business’ size (Lee & Tsang, 2001), the extent of network diversity, and how success is defined need to be considered (see Witt, 2004, for a full review). It seems ‘entrepreneurial experience, social competencies, the level of university education and other factors’ determine the constructive effects of networks on business development (Witt, 2004, pp. 401–402). Well-prepared entrepreneurs may get far less benefit than those who are less prepared for the business world, such as many of the designers in Mills’ (2011a, 2011b) study of nascent fashion designers. While we know that fashion designers in places like London (Gornostaev & Rieple, 2014) and Berlin (Copercini, 2015) where dense communication networks exist (cf. Anderson, 1985; Storper, 2013) engage in a wide range of network activities, we cannot necessarily take for granted that the network success or business founding hypotheses apply to DFI business start-ups elsewhere. It was this conclusion that provided the rationale for a study exploring the way networks were developed and the social capital associated with them was used during the challenging times of business start-up for New Zealand fashion designers.

**RESEARCH APPROACH**

According to Sarasvathy (2004), ‘If we are to develop real content in entrepreneurship, we need to focus our attention on understanding it from the point of view of the entrepreneur’ (p. 713). The interpretive narrative study that provided the data for this study did just that. A narrative approach was chosen because
such approaches have been demonstrated as valid means for conducting interpretive studies of entrepreneurship (Hjorth & Steyaert, 2004) as they allow the subjects to share their start-up experiences in a form that is coherent to them (Johansson, 2004; Linde, 1993; Rae & Carswell, 2000).

Twelve narratives drawn from a nation-wide study of 44 fashion start-up narratives were examined. These narratives were selected because their narrators were fashion designers who were still establishing their design business, having all registered their label within the previous five years, and were physically located in cities that had tertiary fashion design programmes, a fashion business incubator and a local authority that was actively supporting creative industry start-up. Thus, collectively these narratives provided data that would allow the extent to which designers take advantage of available institutions and their associated networks when facing start-up challenges to be explored.

The Participants

The 12 designers ranged in age from early twenties to mid-forties and were, with one exception, women. The gender mix should not be construed as a sampling limitation as the New Zealand DFI is dominantly by female designers. All participants were competent pattern makers and machinists but some chose not to engage in these sorts of production tasks. Instead they used local contractors, if available, or Chinese manufacturers, if their product run was sufficiently large, rather than hiring staff. Only two did not have their own retail outlet. Profitability was still marginal in all 12 businesses and fluctuated from season to season with those selling to other retail outlets reporting better and more reliable profitability than those relying on their own stores or online sales. All produced fashion garments although one designer’s range focussed on high-end leisure fashion wear.

Data Collection and Analysis

Semi-structured interviews were used to gather the designers’ enterprise development narratives as these provided the flexibility to allow the designers to tell their start-up story in their own way while at the same time giving the researcher the latitude to pursue emergent themes. Narratives were taped and transcribed so the text could be examined in detail. In the study reported here, the objective was to establish the nature of the challenges faced during business start-up and the way these were understood and addressed. This examination involved identifying in the written text accounts of challenges faced, together with explanations of how designers responded to these. These sections of the narratives were examined to gain an understanding of how the challenges encountered and the designers’ rationalisations of these where reportedly translated into strategic practice and the role networks and associated social capital played in this translation. Strategic practice was defined as deliberate action designed to advance the achievement of articulated or emergent objectives. What is important to note is that it was not assumed that these objectives necessarily needed to be commercial. Designers’ orientations to their enterprises can also embrace aesthetic, social and lifestyle objectives.
When analysing narrative text, it is important not to lose sight of the way the text was originally performed and how the context and the researcher (Riessman, 2001, 2008), as co-constructors, shape its construction. The original tapes were therefore listened to several times as the analysis proceeded to ensure the richness and multi-vocality of the data as well as the overall orientation of the interviewee to both the telling of their business start-up and the interview process continued to be appreciated. Revisiting the tapes served as a reminder that the narration process and the text that emerged for each designer were unique. This could not be ignored even though the objective of the analysis of the accounts - to identify patterns in the challenges and strategic responses and the associated network activity - was on the surface relatively straight-forward. As Gubrium and Holstein (2009) remind us,

The collaborative work of storytelling draws the contours of accounts quite differently than a simplified story text might suggest. Once more, we see that beginnings, middles and ends are fluidly located in ongoing talk and interaction. The theme and context of a story cannot be divorced from its interactional development and the ongoing construction of meaningful contexts. (p. 107)

**START-UP CHALLENGES**

The wide range of challenges that permeated the designers’ start-up narratives was predictable, spanning the categories financial, time, manufacturing, material resources, marketing and growth. The following excerpts from designers’ accounts provide illustrations of how challenges coded into each of these categories were narrated. Of particular note is how designers were, for various reasons, typically very involved in all aspects of their businesses, which is arguably more common during start-up than at other times in the business lifecycle but is particularly the case in New Zealand where only the largest urban centre, Auckland, could be described as providing the designers with the opportunity to develop dense local networks to support DFI venture creation and development. This is where most fabric houses, publicists and other specialist fashion industry businesses are located.

Also travelling around, travelling around to sell. We’ve actually got a sales agent, a commissioned based sales agent now, doing it and she’s not doing a very wonderful job. It would be better if I went out and did it myself, but once again, the sales of $50,000 per season, you cannot justify driving around the country, flying around the country. Being away from your regular production work, it’s just not economical. **FINANCE-RELATED**

Because in business you cannot do everything and at this point in time I’m, um, facing a bit of a dilemma. I am the designer for the company. I also manage production and I do the PR. Amongst other roles, for [sic.] I also intervene, so I think I’ve got too much on my plate and I have considered offloading some of those activities to other people and I have indeed tried some other people with that but they haven’t brought, even though they have followed our, um, framework, guidelines and so on, they haven’t brought the results that I can bring when I do that, these things myself so there is a bit of a worry. I’m not sure how to manage that, uh, in terms of, uh, offloading the design to somebody else. I have tried that too but then the, the items lose the unique flavour that they got. **TIME-RELATED**
It’s quite hard to get the balance actually. It is quite hard to get the balance and I think that because it’s, well it’s not really different sides of your brain, you’ve got to be quite creative with business management as well, but I think it’s hard because when you are doing production work, as I say, you are very time dependent. Everything depends on how long it takes, so it’s quite hard to allow yourself space in time to do some creative work. **TIME-RELATED**

Every day is a new challenge. So from fabric when you first see a range of fabric and you might love something and then find out that you can’t have it or you might love it and sell it to everyone and then you might find out that you can’t have it. Or it might come with faults in it and then you’ve got your production and your factories and I just think everything that you see, every garment has about probably five chances of not succeeding. **MATERIAL RESOURCES-RELATED**

We had ordered a fabric and then when I confirmed that delivery was due they said that you never ordered it in and I said, ‘Yeah well I’ve got the proof that I have, ordered it, and, and she said “no no”. She said, ‘you haven’t ordered it’. I said, ‘Yeah, we have ordered it and I know that we have and I’ve got proof that we’ve ordered it’. She conceded that someone bigger than us wanted it so they sold it to them instead. **MATERIAL RESOURCES-RELATED**

We just been making it myself. I’ve got some machinery at home. I’ve been lucky enough to utilise some of the facilities here too [at incubator]. But the next step was to start getting it made elsewhere and I think I need to really define who’s doing that and ensure that it’s a feasible plan that’s going to work. It’s been a big stumbling block this year. **PRODUCTION-RELATED**

And there’s three PR companies in [place name] and anyone that you see in the magazines or the papers, um, are represented by a PR company, but the cost of having a PR company is quite high. **MARKETING**

Among the 12 designers only one personal challenge was mentioned – a relationship breakup – that fell outside these categories. All the others were business related. The following sections describe the challenge categories and have a table containing a description of each challenge category, specific challenges reported and the responses the challenges in a particular category evoked. CR (i.e., coping response) is used to indicate coping responses. These were responses that were not part of a considered strategy linked to long-term objectives. AR (i.e., avoidance response) indicates an avoidance response. These responses were not strategic as they did not allow challenges to be constructively addressed in ways that were deliberately coupled to a strategic plan designed with the business’ primary goals in mind. SR indicates a response that did meet these criteria.
As we will see, some categories of challenge prompted the mobilisation of more social capital than others. It is important to note that the 12 designers did not necessarily report either the same challenges or the same responses. All designers reported encountering challenges from the four categories but not necessarily the same specific challenges. This meant they shared the same challenges at a general but not necessarily specific level. They each had their own unique start-up challenge profile and associated (strategic) responses.

Financial Challenges
While there were differences in the designers’ framing of and response to their start-up challenges, there was a remarkable uniformity to the array of financial challenges they reported facing. These fell into three interrelated categories: start-up investment, maintaining positive cashflow and ‘poor payers’. Banks were reportedly very wary of funding new DFI ventures so most start-ups were self-funded with funding shortfalls covered by family and friends. Instances of parents providing substantial loans were noted. Rarely did any of the designers secure start-up investment from outside their personal networks. This is consistent with findings for start-up in other sectors.

Once trading began, cashflow challenges rapidly emerged. This is certainly not surprising in an industry where the financial outlay occurs well in advance of sales and payment. To add to the challenges this poses, many designers chose to rely on wholesaling rather than opening their own retail outlets only to find to their dismay that retailers were very slow to pay and some were only prepared to purchase on consignment. The result was a very ‘hand to mouth’ existence in the first years of trading that prompted some designers to seek supplementary employment to ensure their fledgling businesses could survive.

Supplementary employment was only one financial strategy designers reported. Many worked from home and relied upon spouses and other family members to do routine tasks such as labelling, packaging and distribution. There were also cases where friends were the primary customers and where made-to-measure services were offered to provide a secondary revenue stream. Overall, there was an absence of highly strategic responses to financial challenges which, given the paucity of references to growth in the narratives, suggests that start-up occurred in a financial environment that was akin to those you might expect to find in a cottage industry (Table 1).

Time-related Challenges
Creative industries present special challenges. One of the most significant is the ‘creativity-business tension’ (Mills, 2011a) that requires designers to balance their aesthetic ethic against an economic ethic (Glynn & Lounsbury, 2005; McLeod, O’Donohoe, & Townley, 2009; Townley, Beech, & McKinlay, 2009). This is the tension created in the process of reconciling creative processes with the demands of operating in a business environment. Mills (2011b) proposes that designers approach this tension in different ways according to their enterprise orientations:
Table 1. Financial Challenges and Responses.

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<th>Financial Challenge</th>
<th>Specific Examples/Explanations</th>
<th>Responses</th>
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<tr>
<td>Securing sufficient start-up investment</td>
<td>• Investment is required to purchase commercial standard equipment and materials&lt;br&gt;• Banks are notoriously wary of creative enterprises, especially in the DFI and so rarely fund start-ups&lt;br&gt;• Financial accounting is usually the first outsourced function and often accountants are the primary source of initial financial advice</td>
<td>• Self-fund, especially initially (SR)&lt;br&gt;• Use supplementary employment to fund any funding shortfall (CR)&lt;br&gt;• Use family as a source of additional start-up investment (SR)&lt;br&gt;• Use grants and incubator services, if available, to fund some activities (SR)&lt;br&gt;• Use unpaid spouses for routine jobs (CR)&lt;br&gt;• Chamber of Commerce and incubator advice and courses used to up skill (SR)&lt;br&gt;• Create business partnership to share work and finance loads (SR)&lt;br&gt;• Seek advice from professionals (e.g., bankers) within informal networks (SR)&lt;br&gt;• Rely on accountant (often heavily) (CR)&lt;br&gt;• Seek advice from incubator staff (Both CR and SR)&lt;br&gt;• Move to a cheaper city (Both SR and a CR)</td>
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<tr>
<td>Achieving and sustaining a positive cashflow</td>
<td>• Production costs must be paid well before payments are received from retailers – this may occur at the end of the season&lt;br&gt;• Designers reported extended periods without income&lt;br&gt;• Growth often worsened cashflow situation, at least initially</td>
<td>• Use friends as customers (CR)&lt;br&gt;• Tap local designer networks (SR)&lt;br&gt;• Keep overheads low (e.g., working at home) (Sometimes a CR)&lt;br&gt;• Minimise expenditure (e.g., by avoiding wastage and/or collaborating with competitors on parts of production) (SR)&lt;br&gt;• Reinvest all the profits (CR)&lt;br&gt;• Work for nothing in business (self-exploitation) (CR)&lt;br&gt;• Focus on what they were passionate about (e.g., environmental ethics) rather than the lack of income generation (CR)&lt;br&gt;• Challenged retailers and suppliers about unfair costs (CR)&lt;br&gt;• Seek advice from incubator staff (Both CR and SR)</td>
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<tr>
<td>Dealing with poor payers – debt collecting</td>
<td>• Slow payment is a recognised problem in this industry&lt;br&gt;• Some retailers only pay once stock has been sold&lt;br&gt;• Retailers return unsold stock</td>
<td>• Debtors not always confronted (AR)&lt;br&gt;• Choose to retail themselves (SR)&lt;br&gt;• Develop plans to sell direct (e.g., by party plan) (SR)&lt;br&gt;• Email invoice to allow the designer to distance herself from the customer (AR)&lt;br&gt;• Persistently requested for payment (SR)&lt;br&gt;• Used emails so didn't have to deal directly with retailer (AR)</td>
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CEO, CBO or FIO. Together, these three orientations define a space into which designers’ start-up approaches can be mapped (Mills, 2011a, 2011b). The position of a particular designer’s orientation within this space aligns with the way in which they encounter, address and resolve the creativity-business tension and so create the entrepreneurial space in which they act.

The designers’ accounts of their start-up challenges suggest that time is of particular concern for those with strong CEO. Those most concerned about the impact of business demands on creativity fell into this category. Other time-related concerns also permeated the accounts, however. These concerns were to do with meeting the demands of the industry’s seasonal cycles as each season requires the designer to engage in another cycle of design, sampling, marketing, production and distribution in order to ensure a new collection materialises on the racks and shelves of their boutique and the retail outlets they supply. Where finances were tight it was, understandably, the informal networks that included family and friends that were most likely to be accessed to secure the help needed to reduce the time pressure designers were experiencing (Table 2).

**Production Challenges**

Moving from design to completing a production run poses many challenges. Most designers could complete all the tasks involved in this process although some could not. Those who could complete the entire production process

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<tr>
<th>Time-related Challenge</th>
<th>Specific Examples/Explanations</th>
<th>Responses</th>
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<tbody>
<tr>
<td>Time to do the creative work</td>
<td>• One of the biggest and most commonly mentioned challenges was the need to find time to engage in the creative side of the business</td>
<td>• Enlist spouse or other family members and friends to assist with tasks (e.g., serving in retail outlet, childcare) (CR)</td>
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<td></td>
<td>• Creativity is applied to tasks in an iterative, experiential, and thus time-consuming way</td>
<td>• Enlist past employers in the industry as advisors (SR)</td>
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<td>• Designers are often reluctant or cannot afford to outsource operations so do all the tasks themselves</td>
<td>• Separate design and production spaces (SR)</td>
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<td>• Some describe themselves or others as ‘control freaks’</td>
<td>• Designed at home to reduce distractions (CR)</td>
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<td>Working within the industry cycles</td>
<td>• The industry runs on seasonal cycles</td>
<td>• Collaborate with another designer in their network to share the production tasks (CR)</td>
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<td>• Ensuring samples and ordered stock reaches distributors and retailers for the start of the season can be challenging</td>
<td>• Establish a formal partnership to distribute tasks (SR)</td>
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<td>• Wind back activity (e.g., only produce made-to-measure until their children were older) (CR)</td>
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<td>• Enlist members of personal networks to assist with production-related tasks (e.g., securing labels to garments) (CR)</td>
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Table 2. Time-related Challenges and Responses.
themselves often wanted to do this which meant that very quickly they had to confront the question of production levels. High production levels are not possible when a designer is not prepared to hire staff or outsource production tasks. This is because those in the informal networks who were most likely to provide access to free resources (e.g., time) seldom had the necessary production skills. This meant it was the challenges surrounding production that typically prompted the designers to draw upon their more formal industry-based social capital (Table 3).

**Securing Material Resources**

The choice of fabrics and trimmings are an integral part of garment or shoe design. In a small country like New Zealand, the number of suppliers for both garment or shoe materials is limited so it is quite possible for two designers to want the same fabric or trim. At the same time, no designer wants to see her fabric being used in another designer’s collection. These considerations combine to create a competitive flavour to the process of securing materials in the New Zealand fashion apparel industry that might not exist to the same extent in a larger economy. Most fabrics used by New Zealand designers are produced offshore and so suppliers have costs associated with sourcing and importation that must be passed on to the designer. Furthermore, suppliers do not want to be left with unused fabric that may not be popular in the following season or in such small amounts as to be unsaleable, therefore it is in their interest to sell complete rolls and large amounts. These objectives give rise to practices that disadvantage emerging designers, who are likely to have much lower production levels than their more established counterparts. Table 4 lists the three categories of resource-related challenges and gives examples of each as well as the strategies the 12 designers reported using to address these. What is immediately obvious is that the strategies used to address the material resource-related challenges do not involve mobilising social capital.

**Marketing**

Establishing an appealing label is a vital step in the process of establishing oneself as a successful fashion designer, not surprisingly, designers reported spending considerable amounts of time selecting their label’s name. Trademarking this name then becomes important as one designer discovered when she was threatened with legal action because she had chosen a name already trademarked in the USA.

Marketing posed its own unique set of challenges to the new fashion business operator. Typically, the designers had little knowledge of what was entailed in a good marketing campaign and had very limited contact with professionals in this field. Furthermore, designers with really low cashflow and businesses that were grossly under-capitalised viewed marketing as a cost outside their budget. This was the situation for most members of the sample. Interestingly, it was uncommon for any of the designers to take opportunity to show their
<table>
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<tr>
<th>Production Challenge</th>
<th>Specific Examples/Explanations</th>
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| Deciding to outsource aspects of production | • Increased orders require higher production volumes, raising the question of how to service production levels | • Maintain current levels (Both CR and SR)  
  • Refocus on made-to-measure and high-end product lines (SR)  
  • Outsource one or more production task (SR)  
  • Consult the firm’s accountant (CR)  
  • Seek advice from other designers in their networks (CR but could be SR) |
| Locating somewhere to outsource production | • Finding quality manufacturing sources to outsource production is problematic in a depressed manufacturing sector  
  • Resource availability varies considerably across regions  
  • Offshore companies often required large production runs | • Tap into other designers’ local contractors (SR)  
  • Collaborate with another designer to share the production functions (Sometimes a CR)  
  • Outsourced offshore (SR)  
  • Access work experience students from design schools to help (SR)  
  • Change production volumes to a level that is sustainable (i.e., does not require outsourcing) and continue to do the production personally because have the skills (CR but also potentially SR)  
  • Outsource (SR) |
| Difficulty seeing designs through to production | • Some designers found the design phase more appealing than the production phase and struggled to complete the entire process  
  • Others had difficulties because they would not relinquish control of all of the stages of production | • Outsource production (SR)  
  • Concentrate on retailing other designers’ products (rather than one’s own) (CR)  
  • Form a partnership with someone with complementary skills from within your industry networks (SR) |
| Poor service or production quality when outsourcing | • Some designers reported coping with poor-quality product when outsourcing this function  
  • Timeliness of production is sometimes an issue when outsourcing | • Confront contractors — something designers reported finding hard (CR)  
  • Employ staff to do the work even though this is not a popular response (SR)  
  • Access industry networks to help locate these staff (SR)  
  • Reassess options (CR)  
  • Use informal and sometimes formal networks for moral support (CR) |
designs on the catwalk. Except for fashion shows associated with their design courses, they tended to consider ‘showing’ as expensive or unaffordable. Some considered fashion shows to be an aspect of the DFI that they did not wish to participate in because such shows were perceived to symbolise a separate superficiality and egocentric section of the industry. Most chose less public forms of marketing like ‘look books’ - publications displaying photos of the designer’s collection that were distributed to potential retailers. Table 5 summarises the marketing challenges the 12 designers reported and their responses to these. As in the other tables, CR refers coping response, AR to avoidance response and SR to strategic response.

**Growth-related Challenges**

Not all the designers identified growth-related challenges. For some, survival at current production levels was challenging enough. The lack of specific mention of growth-related challenges corresponded with how designers oriented themselves toward their enterprises. Those least concerned with growth tended to fit the CEO profile (Mills, 2011a, 2011b). They were more concerned with maintaining their creativity and preserving their time than those with CBO and FIOs as a small operation allowed them to continue to work in the business and express this creativity in all aspects of the design process. Table 6 presents the growth-related challenges and the responses the 12 designers reported.
## Table 5. Marketing Challenges and Responses.

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<th>Marketing Challenge</th>
<th>Specific Examples/Explanations</th>
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| Branding/Name of label/Trademarking | • Having a label is a fundamental first step in the start-up process  
• Securing this label is also important | • Wait until a name came to them (CR)  
• Seek some help from someone their spouse knew in the PR sector (CR)  
• Seek industry and incubator help (SR) |
| Maintaining brand values in the face of financial/time challenges | • Control is a big issue that limits the possible responses to challenges related to brand value maintenance  
• Designers resisted compromising on quality even if it was clear their cost point was too high | • Experiment with employing others (SR)  
• Continue to do all production tasks themselves (self-exploitation) (CR)  
• Focus only on the exclusive high-end market – doing only one-offs at a high price which meant they had a service rather than a product line to market (SR)  
• Undertake a lot of option exploration within personal and formal networks (including with incubator staff) (SR)  
• Contact special interest groups who might wear the product range (SR)  
• Access partner’s existing recreational networks (SR)  
• Prepare a media pack (SR)  
• Producing a ‘look book’ (a common response to the need to market their label) (SR)  
• Set up a website (SR)  
• Show at fashion week even though they can’t compete with the glamour of big names (SR) |
| Marketing their label | • PR costs a lot but is something perceived to be worthwhile if you can afford it | |
For all participants, personal (Informal) and formal industry networks played key roles in meeting many of the start-up challenges they faced. The designers reported engaging with at least one network other than their family and friends. Most engaged with many networks, some directly while others used an intermediary or a ‘bridge’ (see 7 and 8 below) such as a spouse or a friend. Excerpt 3 (below) is a good illustration of how the information that could have been accessed through a formal network was gained through a member of an informal network. All the following excerpts capture the way designers recounted how they mobilised social capital to obtain resources that supported their business start-ups.

(1) You know I’m not a mad networker in the private life because I like to leave work when I leave work. I like to forget about it, but within the industry we work collaboratively with a couple of what could be considered our opposition; other clothing factories. We work with them whenever possible, but also with the likes of our monogram and screenprint suppliers, we have good relationships with them and it often builds to other businesses.

In excerpt 1 the designer explains how she collaborates with other members of the local DFI network to get production tasks done. This was not uncommon, particularly when the industry networks were not dense. Most
commonly, people shared machinists because good machinists were not readily available. The collaborators often had the local design programme as the historical base of their relationship.

(2) Where did we get our first sales? I, our first retailers, I used my contacts from previous years to, um, and then it just sort of went from there.

Excerpt 2 refers to existing retail contacts. When the local market is extremely small such contacts are highly valued due to the lack of local alternatives and the high cost of securing new retailers in other towns.

(3) I wouldn’t have minded a bank helping me but I did realise that banks totally hate fashion businesses because they’re probably the most volatile business that there is and I thought, um, that I would be wasting precious time trying to get their … I spoke to a banker actually [laughs]. He told me, don’t even bother. He was like a friend as well and I spoke to him and I said ‘what do you think?’ and he said ‘don’t even bother because they won’t and [unclear] it’s a catch twenty-two he said, until you’re established they don’t want to know about you’.

Excerpt 3 is an example of a designer who accessed a banker in their personal network for advice rather than approaching a local bank.

(4) I guess friends have always been there. They bought the gear. So that’s key that they talk about it, they spread the word. They have a key role in supporting us.

Except 4 illustrates how friends were often the first customers and were relied upon as free word-of-mouth marketers for the label.

(5) Yeah, family has been there. Initially for funding. We had the help of my parents and his parents, just to get things started. They had a pretty powerful role.

Just as in the literature, this study found that parents were often the first point of call for venture capital once personal reserves of the designer and their spouse were exhausted.

(6) A lot of our networking comes through … my partner’s rugby network, that’s a key role in using that for spreading the word and getting the customers. And I’m also part of [chain of gyms]. I’m an instructor down there, so I spread the word to that side, so we’ve got these big networks that side, but part of the industry network we’ve used would be the Incubator.

In this excerpt, the designer is describing how her spouse acted as a bridge for his sporting network to get garments into circulation and noticed. The local incubator is also mentioned as the industry contact that is used, although the resources sought are not specified.

(7) They [the local incubator] have been there right from the start, so they were there helping us with the initial decision. They sent us on to getting hold of a machinist, getting us a premises [sic.], tapping into courses available. They’re a source of networks within the whole area. Machinists, production factories, all that kind of thing, they’ve helped us with.

In this excerpt, the extensive resources accessed through incubator contacts are listed.

(8) She’s been a huge part as well. It’s not really a professional relationship I have with her. It’s more of a personal friendship base. She’s given me great insight. …. so she’s on TV, she’s been
on the magazine, so she’s sort of like a spokesperson who will be able to help me get out there as well. Having a quote from her would be more than some other type of advertisement. Definitely contacts have been great.

In this excerpt, the designer describes how a well-established member of the industry network, who is a personal friend, is expected to be someone who can be relied upon for assistance. Friendship seems to be being interpreted as a basis for reasonably assuming that help with advertising could be possible.

(9) It’s really great. It’s worth it. My friends are designers around town. You can borrow bits and pieces off one another and everyone has the same problems every season and you kind of really relate to each other and (unclear). But I think one of the hardest things actually is being in business on your own and not having anyone to talk to about it, so it’s really helpful having a great network of designers that you can kind of discuss issues with.

This last excerpt highlights how friendships with fellow designers provide a powerful resource to access materials, understanding and a sounding board.

Overall, the findings confirm, as we have come to accept, that family members were particularly important contacts during the early start-up phases (Birley, 1985; Brüderl & Preisendörfer, 1998; Klyver, 2007), providing investment capital as well as other forms of support that helped designers locate resources and complete tasks when demands on their time were high. Spouses were also prominent actors in the designers’ accounts of how they responded to start-up challenges, with some designers using their spouse’s unpaid assistance as a way of offsetting spirally production costs and lack of time or to distribute and encourage word-of-mouth promotion for the designer’s creations. Spouses also provided bridging social capital, linking their partner to other parties (e.g., rugby players) who could provide goods or services the designer needed.

While it was not possible to quantify the responses in a meaningful way, it is possible to see that the responses the designers reported making to the challenges they encountered varied across the challenge. For example, marketing and production challenges were more likely to prompt resource seeking within the designers’ networks than growth or materials resources challenges.

The findings also suggest that formal networks became more important as the new businesses developed. Moreover, those designers who had already developed and were maintaining supportive formal networks showed the most resourcefulness in the face of adversity, reporting less ‘retrenchment responses’ when confronted with challenges and confirming the value they received from existing networks in which they participated. The way designers reported interacting with local incubators illustrates how elements in formal networks were employed. When confronted with challenges, designers reported seeking advice from incubator staff and accessing other resources the incubator made available (e.g., industrial machines). It seems the resources that were mobilised through contact with incubators were considerable and led to all except one of the designers describing their local incubator’s contribution to their enterprise development as significant. Sympathetic local industry infrastructure (Pratt, 2002) and industry events were accessed often, particularly by designers in Dunedin, a large regional city that has branded itself as a designer fashion hub and has a particularly supportive local council and very engaged polytechnic fashion design school fostering the
city’s creative design identity. As a result, Dunedin has place-based social practices (Molotch, 2002), such as the annual iD Fashion Week activities (See https://www.idfashion.co.nz/), that nurture local industry networks and draw them to the attention of the industry nationally and internationally.

In the face of other examples of place-based social practices that fostered industry networks, what was surprising was the way in which network and social capital development was approached. Designers’ accounts provided limited evidence of highly deliberate network development or strategic intent with regard to developing new sources of social capital. This no doubt reflects the short-term planning perspective that was evident across the start-up narratives. The designers tended to access the social capital available through existing networks. New networking occurred in a more reactive fashion, when a challenge confronted them rather than as a result of anticipated challenges. This was consistent with the highly experiential and experimental approach designers typically reported bringing to their design activities (Mills, 2011a).

Of particular interest was the way the designers’ network activity evolved in synchrony with the new enterprise development trajectory proposed by Mills (2011b, p. 188) (see Fig. 1).

DIY → COLLABORATIVE ACTION → STREAMLINING → DIVERSIFICATION or DOWNSIZING

Fig. 1. New Enterprise Development Trajectory.
Source: Mills (2011b, p. 188, Fig. 2).

During the DIY (i.e., do-it-yourself) phase, the primary network activity involved family and friends from the personal networks (Klyver, 2007). As the enterprise development moved into the collaborative phase, members of the formal networks such as industry contacts and incubator staff were increasingly accessed, often as collaborators or advisors, and to varying degrees through bridging capital. As the enterprise moved into the streamlining phase and on to diversification and possibly downsizing, professionals from the formal networks were increasingly prominent sources of resources. In some cases, these contacts were accessed through other designers. This evolution of network behaviour across the start-up process suggests that designers had a gradual awakening to the value that experienced and trained advisors and collaborators could add to their businesses. It also highlights how different networks are linked to different sorts of social capital and mediate access to other distinctive types of resources. Typically, informal family and friendship networks did not facilitate access to industry-specific information or skills. These networks were more likely to link the designers to financial and lifestyle support (e.g., baby-sitting) and were often used to compensate for lack of time or money – the two most reported start-up challenge categories.

**DISCUSSION**

Rae (2004, p. 493) observes that the applicability of business and entrepreneurship theories to the creative industries is questionable. The findings of this study
are ambivalent in this regard. Certainly, the findings suggest that the nascent business owners studied did not necessarily confront business challenges in ways that were consistent with business best practice. Many responses were simply coping responses (CR) that had not been given considerable prior thought and did not link to any strategic plan. A small number were actually avoidance responses (AR). Both CRs and ARs could be explained in some instances by the fact that designers were not pursuing profits and business growth as their primary goals. In fact, at times the designers reported responding to challenges to business survival in ways that actually reduced profits and the opportunities for business growth (e.g., by choosing to pull back on big production runs and concentrate on made-to-measure garments until their children were older).

Gaining the opportunity to give expression to personal creativity through the design and production of fashion apparel was a more central and openly articulated goal. The importance of this goal was reinforced by the prominence given by the designers to the erosion of their creative time. The designers resented the way business activities reduced the time available to engage in their creative process. This finding suggests DFI start-up for them was more closely linked to the opportunity to achieve an experience (i.e., the creative expression of their personal aesthetic) than it was to achieving the more usual business outcomes (i.e., growth, increased profitability, brand recognition, greater market share). This finding can be explained in terms of Mills’ (2011a, 2011b) enterprise orientation model or the creative-operational tension described by authors such as Lampel, Lant, and Shamsie (2000). Seeking creative expression is consistent with possessing a CEO (Mills, 2011a) and 9 of the 12 participants exhibited this enterprise orientation.

The findings in relation to networks and the social capital align much more closely with the business and entrepreneurship literatures. Not only do they confirm the importance of networks and social capital for new venture creation (Greve & Salaff, 2003; Jack et al., 2008; Klyver & Hindle, 2007), they also show that the designers tapped into established personal networks to facilitate access to knowledge and resources in the DIY stage of enterprise development but that these networks were supplemented or replaced by formal network contact as each business developed. This is consistent with the findings on network characteristics during venture start-up (see Birley, 1985; Bratković et al., 2010; Hoang & Antončič, 2003; Klyer, 2007), network development (Larsen & Starr, 1993) and Mills’ (2011b) enterprise development trajectory. What the designers’ accounts suggest, which is not well documented in the extant literature, is that this network engagement and the process of using and developing social capital were not highly strategised. The 12 designers’ start-up narratives suggest that their strategies tended to emerge in response to challenges rather than as a result of a well-developed (i.e., pre-emptive) strategy for gaining resources that would allow challenges to be mitigated or avoided. The designers were not strongly disposed towards anticipating either challenges to business development and continuity or the need for proactive network development to ensure they had appropriate social capital to draw on to ensure they could cope with future challenges.
Despite each designer reporting their own particular combination of start-up challenges, they shared a short-term and reactive approach to business strategy that impacted on network development and the expansion of social capital, which in turn served to maintain the short-term strategic focus. As a consequence, the businesses in this study were not exhibiting rapid growth at the time of the study. Profits were low, often necessitating income supplementation from partners or family or, in two cases, the designer reported engaging in some form of part-time paid employment that continued well beyond initial start-up.

The most commonly reported challenge, the lack of financial resources, on its own did not account for slow business growth. This challenge had to be understood in terms of the designers’ enterprise orientation and strategic approach and how these were coupled to the sorts of social capital that were accessed and developed. The short-term approach to strategy coupled with a desire or need to be fully engaged in the design process from concept development through pattern making to manufacturing, marketing and distribution meant time was also a limited resource. Often, it was these factors acting in concert that operated as the brake on business growth.

**IMPLICATIONS**

The findings provide further confirmation of the importance of social capital and networks for securing finance, time, production, resource material and growth-related information and show how networks change in line with Mills’ (2011b) enterprise’s development trajectory. Even so, apart from one designer, little deliberate network planning or maintenance activities were reported. These findings align with a strongly experiential, short-term and time-pressured way of working but also suggest that the relationship between challenges, strategy and social capital is complicated and, also, somewhat self-sustaining.

The obvious implication is that a less-reactive approach to strategic practice would allow challenges to be anticipated, mitigated or even avoided and greater resourcefulness in the face of unexpected challenges but then this would be at odds with the emergent nature of the creative design process. In this regard, the promotion of network development and strategic planning skills could be worthwhile outreach activities for business support agencies such as the fashion incubators, local authorities’ business development units and Chambers of Commerce. Overall, the findings suggest there could be opportunities to improve designers’ business practice in both these important areas.

Design educators, on the other hand, have already recognised the value of internships as a way to give design students access to first-hand experience of the realities of business development and help link them to DFI networks. Those participants in this study who engaged in such experiences reported mobilising the social capital they acquired but this was still typically undertaken in a reactive fashion. This observation suggests that there is a need to encourage a much more deliberate and pre-emptive approach to strategy that takes into account the need for anticipatory social capital development.
CONCLUSION

This study of nascent business owners, although small in scale, provides useful insights into New Zealand’s DFI, which is distinguished from the same industry in other countries like the UK by size, structure and network density and a DFI entrepreneurial space that is distinctly high-end and boutique-oriented. It reveals how designers’ strategic practice has a tendency to be reactive and short-term focussed and needs to be understood in terms of designers’ enterprise orientations as well as the availability of personal and industry networks and how well the designer is embedded in these networks. When designers have a strong CEO (Mills, 2011a, 2011b) and are not strongly embedded in their networks the tendency to be reactive and short-term focussed can foster strategic practices that work against rapid growth and profitability. These insights are valuable contributions to the start-up literature because such strategies have not been specifically studied in this industry and only relatively recently in other creative industries (Yuanyuan & Shikui, 2016).

Overall, the findings provide further confirmation of the importance of social capital and network management during start-up but, most significantly, they demonstrate why designers need to be forward looking and develop a strategic approach when developing and accessing social and business networks as those that accessed social capital in ways that supported strategic responses were more likely to have viable ventures than those who accessed social capital in order to react to unanticipated challenges.

While incubator and design school advisors provided technical and industry advice, access to material resources and useful bridging social capital, other professional business advisers were much less prominent actors in participants’ narratives. This suggests a preference for existing strong embedded ties of the sort that develop as a person’s biography unfolds. This finding clearly poses an important question for enterprise development agencies and their service marketing and outreach activities. How can they develop strong ties with designers while they are in incubators and design schools in order to ensure that they become part of emerging designers’ biographies and therefore more embedded in their personal networks? The trust associated with the bonded social capital that characterises membership of these personal networks would then allow them to encourage a more deliberate anticipatory approach to social capital development and strategic decision making. Over time this would foster local entrepreneurial spaces that nurture DFI start-up and long-term sustainability.

REFERENCES


Grappling with the Challenges of Creative Start-up


