

Project-oriented companies in the fashion industry

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In the last few years the management of the so-called creative industries is coming to the front among both academics and business professionals. Although they focus mainly on the artistic work, the companies within this industry are also business enterprises which would like to maximize their profits and optimize their operation. Long term business success requires the understanding of the market and the special needs of the business enterprises behind the designer brands. In this article the author focuses on the project management aspects of the fashion industry, where the lack of management attitude (business competences and management skills) results in many young designers struggling on the market. Bearing in mind the concept of creative industries and especially fashion industry, in this literature-based, explorative paper managerial fields which are strongly connected to this industry are also highlighted. The paper points out the lack of project management attitude in fashion. Inspired by this, the author analyses the core activities and the operational processes of the fashion designer companies to test the level of project-orientation in these enterprises' case.

Keywords: creative industry, designer fashion, project-based view, project oriented companies.

JEL code: M19.

Introduction

Twenty years ago Landry and Bianchini (1995. 4) said that "industries of the twenty-first century will depend increasingly on the generation of knowledge through creativity and innovation". Despite of the economic crisis the so-called luxury goods industry could increase its profitability and there is a prediction that its market will be five times bigger till 2025 than twenty years before (Bidnessetc 2014). According to a study conducted by Deloitte (2014) the world's 75 largest

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luxury goods companies' aggregate net sales reached 171.8 billion USD in 2012. Besides the industry's global growth significant differences could be identified among the companies operating in the fashion world. A limited number of financially stable, giant holding companies (and groups) are ruling the market, and possess broad industry expertise. On the other spectrum there are those independent, young fashion designers who are struggling not only to enter, but also to survive on the market because of the lack of managerial knowledge.

Deloitte (2014) identified globalisation, value chain integration and consolidation as the main trends in this industry. In case of consolidation the bigger players continue to merge and to acquire smaller companies, which proved to be a possible solution for them to continue their operation. In the last few years in Hungary another opportunity was discovered for the smaller players to avoid bankruptcy: in 2012 a capital fund acted as a pioneer and invested in a Hungarian fashion designer company to support the international expansion of the brand (HVG 2012). The collaboration was based on the premise that the art management will be separated from the business management (production, sales): the designer remained responsible for creative and brand management and a new team was hired by the fund to manage all other business issues of the firm. This initiative proved to be successful and one year later another designer company was subsidised from a JEREMIE fund². Both solutions (merger or capital injection) proved to be effective although companies have to sacrifice their independence to a certain extent. As management expertise and conscious fashion management could be the key for the survival of fashion designer companies, discovering new aspects of the fashion management would be relevant for the whole industry.

² JEREMIE (Joint European Resources for Micro to Medium Enterprises) is a joint initiative of the European Commission and the European Investment Bank Group (and other financial institutions). The program aims to support SMEs in the EU Member States.

In this article creative industries will be defined and mapped based on literature, and those managerial fields which are part of the fashion management will be listed. The lack of project management attitude will be identified, which inspired the author to test the level of project orientation in that industry.

Literature on fashion industry

Creative industry

Lacking a generally accepted definition always makes a scientific debate more difficult. Similarly, partly overlapping terms co-exist, like "creative industry" (Caves 2000), "creative economy" (Howkins 2001) and "cultural industry" (Hesmondhalgh 2002). Caves (2000) wrote the first book named *Creative Industry* where he highlighted the relationship between the established arts (media) and their commerce. He did not try to specialise or map the creative industries, but focus on business side dynamics. Howkins's (2001) creative economy has already included four creative sectors, such as copyright, patent, trademark and design industries. According to Hesmondhalgh cultural industries are "directly involved in the production of social meaning" (Hesmondhalgh 2002. 11) and he names advertising, broadcasting, film, music, publishing, electronic gaming and Internet industries as the most important subsectors.

Cunningham and Higgs (2008. 1) introduced the three most important "attempts to measure the bundle of activities termed the creative industries": (1) the UK Government Department for Culture, Media and Sport (DCMS) "template", (2) the industry and occupation mapping, and (3) the creative trident approach. The second and the third approaches use creative workforce as a starting point for the analysis.

The UK Government Department for Culture, Media and Sport (DCMS) issued a study in 1998 which made an attempt to map creative industries (DCMS 1998). This study served as a starting point for many other governments to prepare its own mapping system (Cunningham and Higgs 2008). In 2001 DCMS gave the following definition of

creative industries: "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property" (DCMS 2001. 4).

DCMS (2006) distinguished the following twelve creative industries (sometimes being referred as creative sectors): (1) advertising; (2) architecture; (3) arts and antique markets; (4) crafts, (5) design (communication design); (6) designer fashion; (7) film, video and photography; (8) software, computer games and electronic publishing; (9) music and the visual and performing arts; (10) publishing; (11) television; (12) radio.

Based on the DCMS "template" Singapore identified fifteen creative industries and divided them into three main clusters considering their sectoral background and focusing on their content (Table 1).

Table 1. Singapore's classification framework for the creative industries

Arts and culture	Design	Media
<ul style="list-style-type: none"> • Photography • Visual arts • Performing arts • Arts and antiques trade. Crafts 	<ul style="list-style-type: none"> • Software • Advertising • Architecture • Interior design • Graphic design • Industrial design • Fashion 	<ul style="list-style-type: none"> • Publishing • TV & radio • Digital media • Film and video

Source: BOP Consulting 2010. 21

The World Intellectual Property Organisation (WIPO) used another method and divided creative industries into three main categories (core copyright industries, interdependent copyright industries, partial copyright industries) based on their copyright features (Table 2).

Fashion industry

One can notice that fashion is registered as one of the creative industries. Encyclopaedia Britannica (2014) defines it as a "multi-billion-

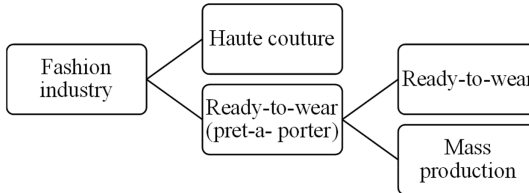
Table 2. WIPO's copyright model of the creative industries

Core copyright industries	Interdependent copyright industries	Partial copyright industries
<ul style="list-style-type: none"> • Advertising • Collecting societies • Film and video • Music • Performing arts • Publishing • Software • TV and radio • Visual and graphic art 	<ul style="list-style-type: none"> • Blank recording material • Consumer electronics • Musical instruments • Paper • Photocopiers, photographic, equipment 	<ul style="list-style-type: none"> • Architecture • Clothing, footwear • Design • Fashion • Household goods • Toys

Source: United Nations 2008. 5

dollar global enterprise devoted to the business of making and selling clothes." The London School of Fashion, which operates as a faculty of the University of the Arts London, is one of the most well-known and recognised fashion schools in the world and it defines fashion industry as "complex, global and highly competitive, and covers the full spectrum from luxury to value-end markets" (London School of Fashion 2013). Some researchers distinguish fashion industry from apparel industry, claiming that the first term refers to "high fashion" (high-end products made by designers) and the second expression focuses on mass production. Today's fashion industry could be divided into two main categories: *haute couture* and *ready-to-wear* (Kent 2003). Haute couture refers to the creation of exclusive, unique and custom-fitted clothing, while ready-to-wear (or *prêt-à-porter*) refers to clothes created in series. Prêt-à-porter includes two other sub-categories the ready-to-wear and mass production. It could be confusing that the name of the first sub-category is the same as the name of the main category, but the sub-category focuses on those clothes which are produced in small quantities and the manufacturer guarantees the exclusivity and the high quality of the materials and design. According to the above mentioned categories we could distinguish haute couture, ready-to-wear, and mass production focusing on the targeted market segment (represented on Figure 1).

This paper focuses on companies owned by a designer brand, which target the haute couture and the ready-to-wear (prêt-à-porter) market segments.



Source: own design

Figure 1. The structure of the fashion industry

Fashion management

There is no general definition for fashion management within management literature. According to the authors' approach fashion management includes those management areas which are important for companies operating in the fashion industry and adjust to their special needs. The curriculums of the different fashion-, design-, and luxury (goods)-management courses serve as a base for identifying the related management fields (European School of Economics 2013a): (1) fashion research, (2) marketing, (3) trend forecasting, (4) retail management, (5) brand management, (6) e-business, e-commerce, (7) luxury goods management, (8) event management.

The literature review highlighted that, despite the correspondence between projects and fashion, project management is not mentioned among fashion management areas. This contradiction inspired the author to investigate the role of projects in the life of a designer fashion company and test the level of project orientation.

Research methodology

Because of the explorative nature of the paper, the research includes the introduction of a theoretical model (based on the relevant literature), which will be applied focusing on the core activities and the operation processes of the fashion designer companies.

Analyzing project management in the fashion industry requires the deeper understanding of the role (and nature) of projects within fashion companies. As there are no generally accepted methodologies to test the level of project orientation, the author applied a five-dimension model built on Görög's view on project-oriented companies (Görög 2013).

The following research questions were formed:

1. What is the relationship between projects and the core activity of the company?
2. What kind of phenomenon founds the project? What is the origin of the project?
3. Who is the initiator of the project(s)?
4. How many projects are run in parallel?
5. What is the relationship among projects?

This five-dimension model offers an overview of a company's projects and enables the assessment of its project orientation level. Findings will be presented in the discussion part.

Discussion

Core activity and projects

Encyclopaedia Britannica (2014) identifies the following activity groups within fashion industry; (a) textile design and production; (b) fashion design and manufacturing; (c) fashion retailing, marketing, and merchandising; (d) media and marketing.

Designer fashion companies' (often called fashion houses) core business includes creating seasonal collections twice a year (spring/summer collection and autumn/winter collection), which are promoted during the so-called fashion weeks. Fashion weeks are special (usually one-week long) periods of the year which are dedicated to these fashion industry events. The most recognised fashion weeks are organized twice a year, several months before the actual season, in the major fashion capitals of the world (New York, London, Paris and Milan). The months after fashion weeks are dedicated to marketing (assessing market needs then promotion), production and retail of the given collection.

Görög and Smith (1999, 10) define a project as “any activity that infers a complex and single one-time activity with a duration time (beginning and end) and cost (resources) constraints and that aims to achieve a definite result”. Based on this definition, core activities were divided into project and non-project categories (Table 3). Many elements of the core business meet the requirements of the projects. Time pressure is really strong in this industry: each collection should be ready till the beginning of the fashion week, the presentation is a fixed event during the fashion week and the marketing campaign is also determined in time. Naturally, other projects could also occur in the life of a designer fashion company (e.g. opening event of a new retail store). Therefore the knowledge and use of project management tools are necessary to implement these projects successfully.

Origin (type) of the projects

Cicmil (1999) focuses on the content of the project result and she distinguishes investment projects, research & development (R&D) projects and organisational development projects. The creation of a new collection belongs to the R&D projects' category, because it develops new products. Similarly, marketing campaigns also belong to R&D projects because they enable and support the launch of the new collection.

Görög (2013), distinguishing projects by their origin, offers another project typology: strategic projects (projects derived from the organisational strategy), problem solving projects and event projects. According to Grundy and Brown (2002) strategic projects cause beneficial changes within the company, because the organizational strategy manifests in the implementation of projects. Each of the above mentioned projects (collection creation, fashion shows and marketing campaign) serves the organizational strategy, so they can be considered strategic projects.

Event projects do not necessarily derive from the strategy, but they are part of the strategic project programs. Nowadays, in case of events people use the term event management. The curricula of fashion management programs usually highlight the following areas of event

management: event planning; idea generation; celebrity, marketing & new media; risk management, sustainable event management, sponsorship and budgeting. The European School of Economics (2013b) distinguishes the following phases of the event management process: conceptualisation, planning, marketing, budget forecasting, event execution and post-event analysis. It can be seen that the classic project management toolkit can also be used for event projects. *Event planning* and *budgeting* are built on time-, cost and resource planning methodology and on project control. *Idea generation* relates to the project scope definition. Risk management can also be applied for event projects. Tasks related to celebrity, marketing and media can use the tools of project marketing, because it also focuses on the different stakeholders of the project, aiming at their positive attitude towards the implementation of the event.

Initiator of the project

Fashion houses always internalize fashion design, but they can involve external contributors in the implementation of the other activities. The initiator of the project is the company itself, so it can be considered as the project owner/client organization. The collection creation projects are always implemented by the company – as project owner – using its own resources. Görög (2003) defines these kinds of projects as internal projects. Fashion shows and marketing campaigns could be implemented by the company together with external contributors (mixed projects), and sometimes the designer fashion company does not participate in the project implementation. Marketing campaigns are usually completed by external contributors (a marketing agency specialized in designer fashion), so these projects are usually external projects.

Number of projects and the relationship among them

Fashion houses run several projects, some of them are implemented simultaneously and depend on each other. The Project Management Institute (2004) defines project program as a group of interdependent projects. Blomquist and Müller (2006) clustered projects of a project portfolio as follows: (a) independent, single projects; (b) projects with

common strategic goal; (c) projects using common resources; (d) projects with common strategic goal and common resources. Görög (2011) pointed out that a common strategic goal could also link independent projects, and he proposed to change *common strategic goal* into *common project result* in the categorization mentioned above. Taking into consideration the interdependencies among the results of the collection creation project, the fashion show and the marketing campaign we can conclude that they form a project program within the project portfolio of the designer fashion company.

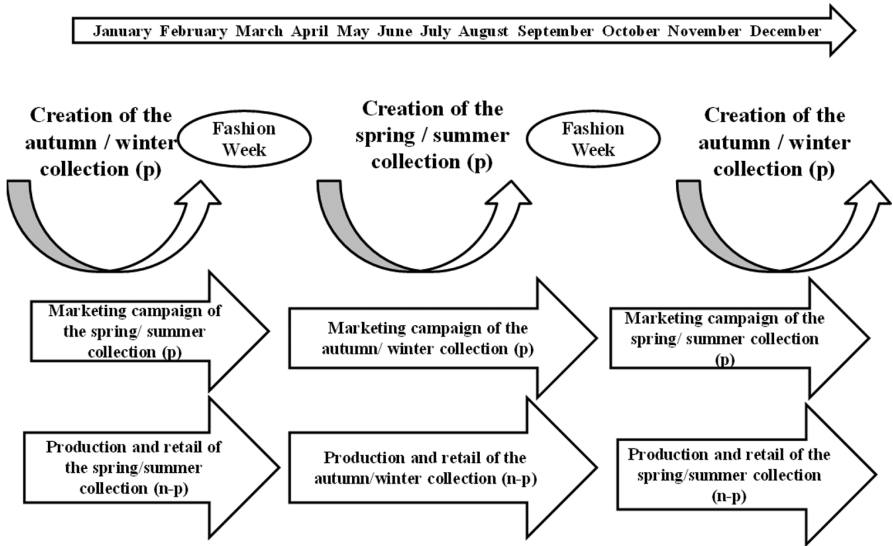
Findings are summarized in Table 3. Designer fashion companies initiate and implement several projects to achieve their strategic objectives. Three of their core activities proved to be project-like. Their projects are mainly completed by the company (internal projects) but in some cases an external contributor is also involved (mixed and external projects). Projects are part of the core business of the company, thus designer fashion companies can be considered *project-oriented companies* (Görög 2013).

Table 3. Projects in a designer fashion company

(1) Core activity	(1) Project / non project	(2) Origin (type) of the projects	(3) Initiator and external/internal/mingled	(4-5) Relationships among projects
Creation of a seasonal collection	Project	R&D project/Strategic project	Company - always internal	They form a project program
Presenting the collections during fashion weeks	(Event) project	Strategic and event project	Company - internal or external or mingled	
Marketing campaigns of the collections	Project	R&D Project/Strategic project	Company - internal or usually external or mingled	
Production	Non-project	-	-	-
Retail	Non-project	-	-	-

Source: own design

Figure 2 shows the above mentioned relationships on a one year long timeline, where project activities are marked as (p) and the non-project ones are marked as (n-p).



Source: own design

Figure 2. The core activities of a designer fashion company

Conclusion

This explorative paper focuses on the designer fashion industry as one of the creative industries. After defining the designer fashion industry, those management areas are highlighted as they are considered to be important for this special industry. The analysis underpinned the fact that a significant amount of the designer fashion companies' tasks fit in the definition of projects. Some of these projects form project programs, making the project portfolio of the designer fashion company more complex. Designer fashion companies can be defined as project-oriented companies, because they implement internal, external and mixed projects which contribute to the achievement of their organizational strategic goals.

The project-oriented nature of designer fashion company points out the relevance of project management in the fashion industry, therefore widening the range of those managerial fields which are part of the

fashion management could contribute to the improvement of the industry.

Limitations and further research

The applied model is based mainly on Görög's view of project-oriented companies, so the analysis could be further refined and extended with more aspects. Besides the role of the projects, the application of the most effective project management tools could also be tested in the fashion industry. The proposed model can also be tested in other sectors of the industry.

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