

Brief notes on the questions posed at the end of the case

1. Identify all of Cirque du Soleil's main resources and capabilities based on the case notes and further research. Complete the analysis by (a) identifying and (b) rating its strategic assets and its distinctive capabilities.

The table below offers an analysis of Cirque's basic and distinctive resources and capabilities.

Category	Description	Supporting Evidence	Contrary Evidence (if any)
Strategic Assets	<ol style="list-style-type: none"> 1. Repertoire of established popular shows such as Dralion and Saltimbanco 2. The unique, high-profile Cirque du Soleil brand 3. Goodwill arising from its social outreach activities 	<p>Shows attract new audiences every year, generating multiple income streams</p> <p>Attracts large audiences, top performers and sponsors; generates merchandise sales</p> <p>Worldwide popularity and respect in more than 80 communities</p>	<p>None</p> <p>None</p> <p>Cynicism by those who see outreach as just a 'stunt'</p>
Distinctive capabilities	<ol style="list-style-type: none"> 1. Design innovation skills 2. Capacity and confidence to invest huge sums to develop new shows 3. Ability to attract world class performers without superstar billing or salaries 4. Organizational capabilities 5. Leadership skills 	<p>Continued originality and flair expressed in new shows</p> <p>History of generating good profits from being innovative</p> <p>Current employees' loyalty; continuing flow of new applicants; excellent training</p> <p>Co-ordination of multiple touring and residential shows globally</p> <p>Drive, flair and vision of M. Laliberté</p>	<p>Hard to sustain real novelty and impact in every new show</p> <p>Complacency or future failures may inhibit innovation</p> <p>Now a business, less a fulfilling way of life for key staff?</p> <p>Stressful work: key staff may join more relaxed 'artistic' smaller companies?</p> <p>No visible, undisputed successor</p>
Basic resources	<ol style="list-style-type: none"> 1. All forms of equipment associated with performing in both static and travelling modes 2. Employment contracts with highly competent performers and support staff (ratio 1:3) to secure commitment 	<p>Evidently the best resourced enterprise of its kind – no excuse for shortcomings</p> <p>Labour intensive operations sustain excellent quality of performances</p>	<p>Recessions cause economy measures – less glamour and more risk to safety of performers'??</p> <p>Visual experience is what audiences expect - economising on support staff costs would risk quality</p>
Basic competences	<ol style="list-style-type: none"> 1. Marketing and promotional skills 2. Venue negotiation and show administration 3. Resourcing of supplies 4. Recruitment processes 	<p>High profile promotions; the website; merchandising</p> <p>Effective behind-the-scenes activities</p> <p>Presumed competence</p> <p>Presumed competence</p>	<p>Success due more to scale than outstanding capability?</p> <p>Skills that all forms of circus can deploy</p> <p>No evidence of outstanding skill</p> <p>Not an outstanding skill? (Since working at Cirque enhances a performer's CV, to recruit is straightforward).</p>

The next table assesses the main strategic assets and distinctive capabilities using the VRIOS framework. The ratings are explained at the foot of the table.

Cirque du Soleil strategic assets and distinctive capabilities revisited

	V	R	I	O	S	Conclusion
Strategic Assets						
1. <u>Repertoire</u> of popular 'classic' shows with names such as Dralion and Saltimbanco	A	A	A	A	A	Clearly an outstanding, virtually unique strategic asset that no other enterprise can offer, exploit or readily imitate/substitute for
2. The unique, high-profile Cirque du Soleil brand	A	B	B	B	A	An outstanding asset but others can aim to create an equally potent brand over the long term
3. <u>Goodwill</u> arising from its social outreach activities	C	C	D	C	B	An established, competent asset, but very hard to make unique, even unusual, because others offer the same benefits (e.g. Eden Project)
Distinctive capabilities						
1. Design innovation skills	A	A	C	B	A	An outstanding current capability. Cirque may offer experiential training for young designers who might later join or set up a competing enterprise
2. Capacity and confidence to invest huge sums to develop new shows	B	C	B	A	A	Experienced impresarios with access to large funds can sponsor spectacular light entertainment shows. Only a handful, however, have experience, funds and full control of a show's intellectual property (e.g. Andrew Lloyd-Webber)
3. Ability to contract world class performers without superstar billing or salaries	B	A	C	A	A	Another outstanding current capability. Yet in all branches of entertainment the trend is for top performers to seek more publicity and command higher fees, which could damage Cirque's team ethic and make it harder to attract and keep top talent without much higher fees
4. Organizational capabilities	C	C	D	B	A	A strong capability, though not unique and capable of being imitated
5. Leadership skills	B	B	C	A	D	Hard to assess objectively. What will be the future impact of charismatic Guy Laliberté and what will happen when he ultimately retires?
Value-creating potential Rarity (or scarcity) Imitability Organizational appropriability (exploitability) Substitutability				A = outstanding source of sustainable advantage B = valuable, but not a crucial source of advantage C = useful, but probably declining source of advantage D = probably already declining as a source of advantage, hence not sustainable		

Comment: the assessments are necessarily subjective and it is challenging to distinguish the exact significance of the criteria of rarity, (non) imitability and (non) substitutability. With that caveat, one concludes that Cirque's most significant strategic assets are its repertoire (A rated) and its brand/reputation (AB). Its most significant capabilities are in design innovation (A), performer contracting skills (A) and new product investment capacity (AB). Time will tell if the latter pair are genuinely advantage-conferring skills or simply the consequence of its current brand strength.

2. From this analysis, what strategic actions would you recommend to Cirque?

Actions must defend and develop its strategic assets and distinctive capabilities. Design capabilities create new shows and extend the repertoire. It must take action to avoid currently valuable, but not necessarily defensible skills from eroding too fast. For example, protecting its contracting skills by conceding to performers only as much ground as judged necessary to retain their loyalty and/or encourage the development of younger talent.

3. Cirque treats talented performers as employees rather than superstars. Does this mean its performers are essentially replaceable resources? (You may wish to contrast their treatment with that of top football players).

This is arguably a key strategic issue. Unlike football players, the transfer market is no well-established, so there are few opportunities to buy in top talent and more risk of losing talent to lesser, competing enterprises.

Factual update on subsequent developments

Progress on new shows and outreach (Cirque du Monde) continues. Plans to extend the number of fixed locations or residences to include the UAE have been inhibited by global recession. Laliberté is thought to be willing to bring in new partners to finance further expansion. Merchandising deals seem likely to grow in range and number to the mutual benefit of Cirque and its partners.