Culture, Innovation and the Economy

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In an era of change, increased complexity and big challenges accompanied by a contraction of public support to the cultural and creative sector, the figure of the cultural and creative entrepreneur becomes particularly relevant in the arts, culture and creative industries. Furthermore, as we discuss in this chapter, cultural and creative entrepreneurs bear idiosyncrasies that can be of significant interest not only for other more general entrepreneurs but also for their overall impact on the wider economy and society.

Creative entrepreneurs are a particular type of entrepreneur. Like general entrepreneurs, creative entrepreneurs start a new business, initiative or experiment with the aim of innovation and venture creation. Cultural and creative entrepreneurs, however, differ in a number of aspects. These include the degree of their for-profit orientation, attitudes toward uncertainty and risk, work conditions and regulation, entrepreneurial attitude, skills, type of innovation, networking, financing and business models, firm creation, growth patterns and resilience, performance assessment and overall societal impact.

Remarkably, profit making is a less inherent or less compulsory aim of creative entrepreneurs, relaxing to some extent the same definition of entrepreneurship. At least two factors would explain that. First, artists and creatives are supposed to be compensated by forms of satisfaction that are alternative or at least complementary (especially for professional creatives, that is those who make a living out of their creative work) to monetary compensation (see e.g. Frey, 2000). Second, especially arts and cultural organisations have been historically non-profit oriented and more supported by or dependent on public subsidies. However, due to the fact that public resources are less available and competition to obtain them is increasing, the cultural and creative sector needs to find new forms of financial sustainability. Notice also that newborn micro-sized start-ups in the more commercially-oriented creative industries (e.g. audiovisual, gaming and design) are similar to those of other creative entrepreneurs, but are different from large and mature organisations in the same creative industries, which are characterised by a high concentration of capital and industrial organisation of production and work.

Creative entrepreneurs are quite exposed to risk and, at the same time, they present a particularly high attitude toward risk (see e.g. Klamer, 2011). This may
be related to the forms of cultural and creative innovation, which are usually less codified than the innovation of products, services, processes and organisation in more traditional sectors. Creativity bears higher levels of uncertainty that cannot be resolved by planning alone. Possible other explanations rely on some structural idiosyncrasies of the labour market of the cultural and creative sector, such as precariousness, discontinuity and instability in job and career paths and duration, jobs fragmentation and bundling, geographical and gender concentration, flexibility, productivity, rates of unemployment, regulation, reputation, talent and specialisation (see e.g. Ellmeier, 2003). Noticeably, while at least some of these idiosyncrasies may be considered as drawbacks in traditional economics, specific exposure habits, and hence coping with them, can make creative entrepreneurs particularly resilient when facing high levels of change and complexity, as well as periods of crisis. This would be also supported by some empirical evidence of the relatively higher rate of survival and lower newborn mortality of creative entrepreneurs (see e.g. Fontainha, Lazzaro and Mossinkoff, 2016).

Creative entrepreneurship does not always correspond to a firm’s legal status. Especially in the case of individual artists, it can rather imply work conditions and work attitudes such as being the worker on the project, creator of her own employment, multi-talented team leader and inventor of new structures and organisations. In this case we rather refer to an atypical form of work, somewhere in between an employee and an independent worker (see e.g. SMartBe, 2011). More generally, this corresponds to the entrepreneurial attitude of artists and creatives, a skill that is increasingly relevant for their success. Such a modus operandi can be learned by doing, although it is being integrated into curricula at higher education, as well as lower, vocational and continuous education levels (see e.g. HKU, 2010).

Creative entrepreneurs, more than other entrepreneurs, crucially rely and build on networks to start and develop their ventures (see e.g. Konrad, 2013). Networks are essential to recognise, access, exploit and develop ideas, opportunities, skilled labour, financial resources, as well as market (clients, suppliers and competitors) and business knowledge, partners and outsourcing. Specifically, creativity and innovation are not only internal processes, but can also be stimulated by audiences and markets, competitors, research and collaboration. Networks are important for coping with the micro size of firms – typical of the majority of organisations in the cultural and creative sector (see e.g. Eurostat, 2016) – and hence with limited resources, since these are usually the project of their own founders (start-ups rather than spin-offs) and with their own and their family’s financial resources. Networking can reduce asymmetric information (another typical feature of the cultural and creative sector) and increase trust and reputation in many stakeholders’ relations.

From a financing perspective, information asymmetries originate from absent or limited collateral, rather intangible assets and difficulty in measuring their innovation value. Hence networks can compensate for these asymmetries by providing increased credibility and trust by venture capital and banks, as well as
by the public sector, especially at early stages of creative ventures. More sophisticated private financing instruments, such as venture capital, business angels and equity, are more concentrated in more commercial creative industries. On the other hand, more recent instruments, such as crowd-funding and crowd-financing, are enriching financing opportunities for the rest of the cultural and creative sector, and are sometimes integrated into public-partnership schemes.³

Business models represent the principal tool through which entrepreneurs combine, plan and manage external and internal resources and ideas and assess their output and performance (see e.g. McKelvey and Heidelmann-Lassen, 2013). In this rather technical respect, compared to general entrepreneurs, a considerable number of artists and creatives still remain virtual entrepreneurs. Uncertainty and complexity cannot be completely be solved by rational planning. In this regard, design thinking can be a useful instrument for keeping a balance between intuition, experience (when available) and rationality, and exploring, co-creating and contributing to a more systemic approach. When implementing business plans, creative entrepreneurs need to balance creativity with a market perspective in organisation and management.

Noticeably, from an economic and business perspective, growth (and even internationalisation) has been considered the typical purpose of business models. However, especially in the case of creative entrepreneurs, and for the considerations made above for networks, it is worth considering the different aspects and consequences of growth, including of newborn start-ups (to allow the overcoming of this particular delicate life phase), of further mature phases of cultural and creative firms, and of the economy and society in which they operate. In particular, networks and their advantages can redimension a quite traditional firm’s objective of scaling up, especially toward more mature phases of creative firms and when entry and exit barriers are low.

Creative firms’ growth and, more generally, performance can be assessed through qualitative and quantitative indicators, which are more or less straightforward to use, depending on data availability and measurability. Even if statistically available, traditional economic indicators can be limited in capturing the full impact of cultural and creative entrepreneurs and other professionals and organisations in the same sector. For instance, innovation, so important in the cultural and creative sector as in the whole society, is barely captured by patents and intellectual property rights, which are more suitable for measuring innovation in high-tech sectors. On the other hand, economic impact studies are based on firms’ and economic variables, such as sales, employees, funds, turnover, profitability, new-firms generation and geographical density (for clusters), or more complex indicators based on those variables. However, on a technical plan, many of these studies struggle with sufficient accuracy of the dimensions included, and the availability and compatibility of statistics (see e.g. Lazzaro and Lowies, 2014). On a more conceptual plan, a mere economic vision crucially limits the capturing of the full value that cultural and creative firms and organisations generate (or co-generate at the inter-sectoral level) in the wider economy and society, in terms of overall growth, innovation,
societal development and wellbeing, among others. Concepts such as spillovers (see e.g. Tom Fleming Consultancy, 2015) and, more recently, crossovers (Lazzaro, 2016) are being used to better equip creative professionals as well as policy-makers in generating, organising, acknowledging and fostering more comprehensive effects in and through the cultural and creative sector, including creative entrepreneurship.

Therefore, cultural and creative entrepreneurship has at least two orders of implications and related challenges beyond its own sphere, namely with respect to more general entrepreneurship and to public policy. A better understanding of cultural and creative entrepreneurship is helpful for general entrepreneurs, because creative entrepreneurs can constitute rather “extreme” cases of challenges for entrepreneurship, as well as zones of experimentation. For instance, as discussed above, creative entrepreneurs may show higher levels of resilience. Such resilience can also take on a more financial connotation, where other forms of remuneration (e.g. higher job satisfaction) compensate below-average monetary remuneration. Concepts such as clusters and stakeholders, typically related to creative entrepreneurs and the creative sector (see e.g. Bagwell, 2008), are closely related to that of a network. Clusters’ advantages greatly coincide with those of networks. Clusters allow more flexibility and adaptation. They can facilitate spillovers and crossovers at intra- and inter-sectoral levels. Related open issues include how to monetise spillovers and crossovers, effectively manage and nurture these networks, contain associated coordination costs and make partnering modalities more effective. On the other hand, public policy aims at fostering the conditions (e.g. through incubators) for these more systemic effects to happen. How to effectively do so and measure the outcomes is still an open challenge. Other challenges include how to stimulate only positive spillovers (namely crossovers) and avoid negative ones, and to avoid wasteful overlapping – as opposed to complementarity – of public and private interventions.

Notes
1 Prof. Dr., HKU University of the Arts Utrecht, Department of Creative Economy.
2 Following, among others, UNESCO (2005) and, in particular, European Statistical System Network on Culture (ESSnet-Culture) (2012), we refer to the cultural and creative sector as including the arts, culture and creative industries.

References


