



Unit 1:

Understanding Entrepreneurship in the CCIs

Theme 1.2.

Entrepreneurship, Management and Leadership in the CCIs

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1 THEME Overview

Entrepreneurship has a very important role in each economy. It creates innovations and jobs, boosts economic development and increases the wellbeing of the local population. The potential of the cultural and creative entrepreneurship was recognized in early 2000s and thus, enhanced an outbreak in the emerge of cultural and creative start-ups and in the conceptual research of the phenomena. Yet, due to the complexity of the concept and the lack of unified definition, there is a considerable confusion regarding the use of the term.

This theme introduces the concept of entrepreneurship and its interpenetration in view of the CCIs. The basic concepts in the area of entrepreneurship are presented together with the role and importance of entrepreneurship for economic development. Attention is placed on interpreting entrepreneurship as a state of mind and on the main set of skills, competences and knowledge that are needed by an entrepreneur. Issues, such as key steps in the elaboration of business idea, the stages of the entrepreneurial process and the resources needed for the successful development of entrepreneurial ventures, are also covered.

2 THEME Reader

I. Concept of Entrepreneurship

Entrepreneurship has been generally recognized for its important role in many fields in the contemporary world of today. Indeed, entrepreneurial activity is validated to be one of the main drivers for innovations and a pillar for global progress that boosts economic and social development, growth and wellbeing.

Entrepreneurial activity dates back to ancient times but is still an evolving experience. It has been absorbed in many sub-fields of human activity and thus, has become part of several different disciplines, significantly contributing to their practical and theoretical fertilization. Yet, although defining entrepreneurship has occupied scholars for many years, there is not a consensus on its exact meaning. Even more, a considerable confusion exists in the way that people use the term entrepreneurship. (Nadim Ahmad, 2008). This is partly due to the differentiated approaches and scientific perspectives that have been used over the years in attempt for delivering a definition of the phenomenon of entrepreneurship.

The term `entrepreneurship` itself derives from the French verb '*Entreprendre*' which means '*to undertake*', '*to pursue opportunities*', or '*to fulfil needs and wants through innovation and starring businesses*'. The word first appeared in the French dictionary in 1723. The French economist Richard Cantillon is generally accredited with being the first to coin the phrase in the context of what we view today as entrepreneurship in about 1730. (Ahmad & Seymour, Defining Entrepreneurial Activity: Definitons Supporting Frameworks for Data Collection, 2008). Loosely, he defined entrepreneurship as self-employment of any sort, and entrepreneurs as risk-takers, in the sense that they purchased goods at certain prices in the

present to sell at uncertain prices in the future. (Ahmad & Seymour, Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection, 2008).

Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurship is the phenomena associated with entrepreneurial activity.

- ***Elements of Entrepreneurship***

Entrepreneurship is shaped by many elements but the most important of them include:

1. Innovation	<p>Entrepreneurship is a key source of innovation and product differentiation in any economy. It is actually one of the most important mean and at the same time effect of entrepreneurial success. Innovation is used for exploitation of available opportunities in the market and for overcoming any threats.</p> <p>This innovation can be a new product, service, technology, production technique, marketing strategy, etc. Innovation can even involve doing something better and in more efficient or economical manner. Either way, innovation is a key factor in the concept of entrepreneurship and it brings other changes with it – for the customers, the competitors and even for the market..</p>
2. Risk - Taking	<p>Entrepreneurship is associated with risk. First, the results and the effects of the innovation, which lay into the entrepreneurial activity, is hard to be fully predicted. There is always a risk that something may not happen according to the plan and the results are not as desired. Then comes the risk possessed by the factors of the external environment which cannot be controlled at all.</p> <p>Not taking any risks can stagnate a business and excessive impulse-taking can cause losses. So a good entrepreneur knows how to take and manage the risks of his business. But the ability of the entrepreneur to takes risks helps him to exploit the opportunities the market provides.</p>
3. Vision	<p>Vision or foresight is one of the main driving forces behind any entrepreneur. It is the energy that drives the business forward by using the foresight of the entrepreneur. It is what gives the business</p>

	<p>an outline for the future – the task to complete, the risk to take, the culture to establish, etc.</p> <p>Many great entrepreneurs are called `visioners` for the great vision they have and which supported them to set out short and long term goals for their business but also to plan the ways for achieving these goals.</p>
4. Organization	<p>In the general case, entrepreneurship is a one-man show. The entrepreneur bears all the risks and enjoys all the rewards. And sure he has the help of employees and middle-level management, yet he must be the one in ultimate control. This requires a lot of organization and impeccable organizational skills.</p> <p>An entrepreneur must be able to manage and organize his finances, his employees, his resources, etc. So his organizational abilities are one of the most important elements of entrepreneurship.</p>

Table 2: Main elements of entrepreneurship

- **Entrepreneurship in the CCIs**

CCI enterprises, in particular small and medium ones, have specific characteristics that may separate them from `regular` entrepreneurship. They frequently operate in specific market conditions, produce goods that are `cultural` by nature, work with people who are often more content-driven than commercially oriented and usually create very small enterprises (micro-SMEs) that may exist on the basis of permanent networks. (Directorate-General for Education, Youth, Sport and Culture (European Commission); Eurokleis; HKU Utrecht School of Arts; K2M, 2013)

The concept of cultural entrepreneurship was first introduced by Paul DiMaggio in 1982. Back then, little attention was paid to the figure of cultural capitalist – *`a person who invests the profits gained through the management of industrial enterprise for the foundation and maintenance of a cultural institution`* – that was presented in his paper. However, both academic and market curiosity regarding cultural entrepreneurship have rapidly risen after the potential of cultural and creative industries as economically important sectors was recognized by the policy-makers in early 2000s.

Logically, the definition of the cultural or creative entrepreneurship is first hampered by the clear view regarding the entrepreneurial activity as such and then by the variety of specifics that each of the cultural and creative industries encompass. However, the research is flourishing providing different understanding regarding the phenomenon.

The difference between the cultural entrepreneurship and the one from any other sector is *`in contextual and sectoral features, the nature of artistic work, and specific cultural values, employed by cultural entrepreneurs. The most distinguishing characteristic of cultural*

entrepreneurs appears to be personal involvement in the creative process.` (Dobрева & Ivanov, 2020).

European Commission (2013) promotes cultural entrepreneurs as someone who creates or brings to market a cultural or creative product or service and who uses entrepreneurial principles to organize and manage this creative activity in a commercial manner. However, achieving a balance between creativity and entrepreneurship is not straightforward and entrepreneurs differ according to their motivation and the sectors in which they operate. (Directorte-General for Education, Youth, Sport and Culture (European Comission); Eurokleis; HKU Utrecht School of Arts; K2M, 2013)

The term cultural and creative entrepreneurship shall attempt to draw the two worlds of entrepreneurs and artist together: recognising the latent entrepreneurial spirit of an artist, and latent creative spirit of entrepreneur. (Directorte-General for Education, Youth, Sport and Culture (European Comission); Eurokleis; HKU Utrecht School of Arts; K2M, 2013)

Scholars describe cultural entrepreneurs as people who are breaking the rules and crossing boundaries (Spilling, 1991), overcoming obstacles (Amolo & Beharry-Ramraj, 2015), blurring the boundaries between work and personal life (Bridgstock, 2013; Werthes et al., 2018), showing passion and commitment to artistic content, persuasive, prudent and exhibiting courage, hope and faith in what they are doing (Klamer, 2011), risk-taking (Wardani et al., 2017), showing high tolerance of ambiguity, perseverance, self-reliance, autonomy, and creativity (Bhansing et al., 2018; Werthes et al., 2018). (Dobрева & Ivanov, 2020)

The tension between the creator of a cultural work and entrepreneur, typical of many cultural and creative enterprises, is often seen in the desire to prioritise the cultural value of the creation with little motivation for generating economic value (creation-oriented), while the entrepreneur will prioritise the economic exploitation over its cultural value (growth-oriented). (Directorte-General for Education, Youth, Sport and Culture (European Comission); Eurokleis; HKU Utrecht School of Arts; K2M, 2013)

Therefore, it is understandable why practitioners are emphasizing the cultural value of the entrepreneurship in their attempt to describe what exactly the cultural one is. Among the variety of definitions that can be found, we adhere of the following:

Entrepreneurship in arts and culture is an economic as well as sociocultural activity, based on innovation, exploitation of opportunities and risk-taking behavior. It is a visionary, strategic, innovative and social activity. (Varbanova, 2013)

Cultural Entrepreneurs are cultural change agents and resourceful visionaries who organize cultural, financial, social and human capital, to generate revenue from a cultural activity. Their innovative solutions result in economically sustainable cultural enterprises that enhance livelihoods and create cultural value and wealth for both creative producers and consumers of cultural services and products. (Temblay, n.d.) (Anheier & Isar, 2008)

II. Management in the Cultural and Creative Industries

Managing people in every field of social life will be associated with a process of leading different individuals with different skills and qualities towards a common goal. From a business perspective, achieving organisation objectives within a specific time frame requires sustained coordination of individual efforts through series of activities done by leaders and managers. Mary Parker Follett's well-known definition of management as "*the art of getting things done through other people*" places the focus on the primary importance of management and its main tasks to plan, organise, lead and control other people's efforts in a systematic way.

- **Managerial roles**

To ensure a proper functioning of the organisational unit, a manager must integrate the three key roles – Decisional, Informational, and Interpersonal to connect people and information at different levels of organisations, in a unique way that could be metaphorically associated with a car engine.

Previous research in the specifics of creative industries has outlined five main groups of characteristics which can directly affect the associated management process: global innovations, the need for new and unique products, unpredictable demand, the artistic nature of the products, and self-managing staff (Berzins, 2012). *A common feature of cultural and creative industries that should be noted, is found in the absence of formally appointed manager status.* Instead, a self-management approach is implemented, or leadership is performed by a team member whose task will be to involve others in an intellectual work process. Each participant will tend to take responsibility for their own decisions and will perform their duties independently in response to the changing business environment. These characteristics suggest that creative organisations feature a specific form of organisation in which team members will see themselves as entrepreneurs and providers of intellectual work, who hold the main responsibility for achieving the organisational goals.

- **What does management do?**

One of the most popular classifications by Koontz and O'Donnell suggests five core functions which cannot be separated from each other and should be seen as inextricably intertwined:

Planning is a core function of evaluating the organisational goals and deciding on a schedule of activities for completing particular performance tasks. Systematic planning of future actions and resources is of primary importance in order to avoid risks and failure.

Organising involves the process of bringing together the right human resources, financial resources and materials needed for achieving a particular business goal. Prioritising and coordinating efficiently the organisation activities according to an existing plan, require an active management approach to delegating tasks and identifying needs.

Staffing as one major function of management, is associated with managers' abilities to identify and select the right people for the right job positions within the organisational structure. Organising and providing job trainings and opportunities for career development and

promotion represent an essential aspect of the staffing function, along with evaluating and monitoring work performance.

Directing is about proper control over information flow, making sure that staff members know what and when to do a particular task. The modern concept of management draws on the idea that people do not only need to be informed in a clear way about their duties but also to be motivated by guided leadership.

Controlling serves as a feedback function for measuring performance and identifying deviations from the preset task and results. In this way, it spots mistakes and identifies actions towards correction of mistakes which are to be planned in the next cycle.

- ***Managing creativity***

Unlike traditional organisations, management in creative industries needs to consider a variety of factors affecting the process of management at the same time, including the unique nature of their products and the unpredictable demand, which makes the process of strategic decision-making more complicated. Implementing planning, organizing, staffing, directing and controlling tends to involve some parallel functions that come as a result from the specific character of creative projects related to the uniqueness of their products, time and funding limit, their measurable results and the constant interaction of all management functions for the successful completion of a project. Consequently, a manager has to create a clear action plan before delegating tasks and should be skilful in the process of task coordination and organisation, balancing among the broad range of system elements and considering the importance of motivation and control at the same time.

III. Leadership as a Managerial Ability

The leadership role is commonly associated with the process of guiding and directing others, while a manager's main responsibility is seen in controlling the work process and the staff members involved in it. A well-known differentiation between leadership and management places an emphasis on leaders who lead by example and managers who call for expectations:

- A manager can act as a leader while a leader cannot perform a managerial role.
- A manager is expected to do the things in the right way whereas a leader should do what is right.
- A manager acts as a controller and supervisor while the leader's role is to innovate and create.
- A manager is responsible for planning a change while a leader has to manage the change.
- A manager has a supervising role while a leader has an encouraging role.
- A manager deals with organising and staffing whereas a leader deals with communication and empowerment.
- A manager sets the work schedule while a leader sets the direction.

- **Creative leadership**

In smaller businesses, managerial and creative roles are often performed together, while leading the process of creativity and innovation in larger organisations is likely to build tension and constraints around management of commercial activities, where, an approach to “dual leadership” may be applied, in which a creative leader will promote creativity and a managerial leader will deal with marketing and commercial demands (Townley, Beech and McKinlay, 2009). Overall, successfully leading creative people will require an ability to facilitate environment that promotes innovation and meets business demands, bearing in mind that professionals in the field have been found to have personality traits predisposing successful learning and personal development. Goleman (2017) suggests six effective leadership styles for creative leaders which can be used appropriately and carefully in a variety of situations.

- **Coercive** – a more autocratic style appropriate in emergencies when quick decision-making is needed. Considering the autonomous and independent character of creative work, if unnecessary used, this style may raise resistance and demotivation.
- **Authoritative** – demonstrating vision of the future and ability to motivate others, may be appropriate in change management when a new direction or goal has to be achieved.
- **Affiliative** – focuses on people, able to shape effective teams, can be useful when interpersonal problems arise.
- **Democratic** – promoting independent decision making, personal initiative and self-expression, can be inspirational and facilitating consensus in creative industries.
- **Pacesetter** – leading by example to meet higher standards.
- **Coaching** – encouraging, can be used to help people develop own strengths.

IV. Suggested readings:

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