THE DEVELOPMENT OF CULTURAL ENTREPRENEURS THROUGH NEW VENTURE CASES IN THE BUSINESS CLASSROOM

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Abstract

Artists and workers in the creative industries who embody the essence of creativity are thwart by economic values in delivering their artwork or creative concept to consumers. This is particularly evident for students in courses in creative industries that graduate with entrepreneurial aspirations, but not the means to pitch their creative concept or build the business model for the new venture. This paper analyses a university business course developed to take cultural entrepreneurs through venture building as a live case in the creative economy.

KEY WORDS: Creative industries, cultural entrepreneurs, case method

INTRODUCTION

Caves [2000] in his text on contracts between art and commerce, describes artists as apprentices. He reports on the number of students graduated each year from qualified programs in visual and performing arts, who will never become income-earning professionals. By its nature, the training imparts skills through intense practice, thereby closing off other career lines. "The apprentice’s living and working styles set the scene for (her) dealings with gatekeepers and contribute to determining agglomeration and location patterns that are important for the organization of markets for creative goods" (p. 22). For students who do not join a ballet or dance company, an orchestra or choral group, or the stable of artists under a commercial gallery, or a film and theatre agent, unemployment in their chosen field is commonplace. These students need economic choices, not just survival skills and second jobs. By giving arts graduates a course in new venture management and the business skills to take their creativity to consumers, it is possible to change the apprentice to entrepreneur.

CULTURAL ENTREPRENEURSHIP

Creativity has two markets, self and others as consumers of the art product [Howkins 2001, Hirschman 1983, Colbert 2000, Throsby 2000]. Artists create for both markets, but the economic or market value of the art drives the creative economy. The creative economy is defined as the system for the production, exchange and consumption of creative goods and services, or intangibles as in intellectual property and ideas. Entrepreneurs in the creative economy (or cultural entrepreneurs) "use creativity to unlock the wealth that lies within themselves. Like true capitalists, they believe that this creative wealth, if managed right, will engender more wealth [Howkins 2001, p.129].

The report Entrepreneurship in the arts and cultural sector (hereafter EACS) [Rumball, Crawford and Coombs 2002] in Canada claims that innovation and creativity are not qualities of entrepreneurship, but responses to the entrepreneurial equation. "The principal equation is the specific project, which starts with an idea, is made possible by attracting the necessary resources and is brought to fruition through
concerted, competent effort at combining the resources and the idea to produce a measurable outcome” (“Elements of entrepreneurship” in EACS, p.3). The authors further claim that entrepreneurship is a behavioural phenomenon, not a personality type. Thus through a learning environment, it should be possible to create the scenario and context in which entrepreneurs can develop. In this way the challenge for the teacher is to develop, not only the classroom environment conducive to entrepreneurial behaviour, but also the teaching methods and strategies to achieve this. Research by De Michiell and Manning [2002] on entrepreneurial thinking in the classroom, acknowledges that teachers, too, have to be entrepreneurial.

They have to create an entrepreneurial climate in the classroom so that students experience these new mindset demands in meeting course requirements. Students must be made to exercise their higher order thinking skills (analysis, synthesis, and evaluation) even more than the lower ones (knowledge, comprehension, and application). The higher order skills of analysis, synthesis, and evaluation phases of problem solving are critical to development of the entrepreneurial mindset and need additional emphasis (p.120).

These authors claim that, too often, “students are provided all the information from which they can deduce a conclusion, findings, and recommendations”, and suggest that entrepreneurial teachers must let the students find the information themselves, thereby converting ideas to innovation. In this way students are exercising their own entrepreneurial thinking style.

The following statement became the motivation for students to achieve their own style of cultural entrepreneurship.

Entrepreneurship is a way of thinking as much as it is a business concept. Entrepreneurs are highly focused, preserving their resources for only the most essential tasks at hand, and avoiding almost all activities that do not bear directly on the immediate needs of their business. They are experimental, prepared to contemplate radically new ideas and to take risks; they are flexible, oriented toward opportunity and quick to drop activities that are less productive than others [Rumball, Crawford & Coombs 2002].

The educational response to these propositions, and to the need for students to develop and test cultural entrepreneurship in the classroom, was the development of a course in new venture creation for the creative industries. It is a business course for graduates in the creative industries. In the business course students must self assess against criteria for entrepreneurship, build creative teams based on the plug’n’play model of the creative industries work force, create the concept for development, formulate market positioning and strategies based on actual market research with potential customers, pitch the concept to the class for peer assessment, develop the business model – financial, organisational, operational and risk analysis, and present for evaluation to an industry panel of potential investors. The teaching pedagogy is learning by doing, and the teaching strategy selected to achieve this, was for students to build their new venture as a case.

LEARNING BY DOING

Building on the definition of a case by Mauffette-Leenders, Erskine and Leenders [2001] that “a case is a description of an actual situation, commonly involving a decision, a challenge, an opportunity, a problem or an issue faced by a person (or persons) in an organisation” this business course requires students in small carefully selected teams, representing the typical creative industries work pattern, to build the evidence, analyse it, and take the decision to enter, or not to enter, the production phase. They are practising case development, but is it case method.

Myrman [2001] states that it is not easy to define case method and while the approach in this project is not at all traditional, it does meet the typical features Myrman provides, based on the Harvard University case method. These are:

- a case is concerned with a reality based situation,
- it requires a problem to be solved and a decision to be taken,
- it is actor-oriented, that is, the persons involved have different roles and interests,
- there are no right or wrong answers to the problem,
- the students’ own activity in the preparations and exchange of views and experience that constitute the basis for learning,
the teacher’s role is not primarily to convey knowledge, but as catalyst in the exchange of ideas, and
the outcome is based on the students’ ability to carry out a critical, appropriate and creative analysis.

The great strength of the case study method, according to Myrman is its capacity to develop independent thinking, practice in problem solving, and training in decision-making and leadership. In this course students explore solutions for bringing their concept (problem) to the market. They carry out a feasibility study in order to make decisions on potential costs, market share, investment needs and returns. Primarily they practice cultural entrepreneurship, which is the mode of work in the creative industries.

Another approach to case method used by DeMichiell and Manning [2002] has application in this project. They used case method as a self-assessment approach to entrepreneurial thinking. DeMichiell and Manning concluded “the case method is a method conducive to uncovering one’s full potential and applying it for problem solution as we move from creativity to innovative action. The method involves project teams and promotes individual accountability. Students are forced to take charge of their project, be tolerant of diverse approaches and thinking styles, and contribute to the team effort in a cooperative and effective way”.

Students “learn by doing” and what they learn becomes deeply ingrained and stays with them [Mauffette-Leenders, Erskine and Leenders 2001]. Each student in the venture takes a role such as director, marketing manager, finance manager, production coordinator and technical designer. They assume responsibility for research, reporting, and risk analysis, as owners of the company investing in the venture. For these students the situation is real. They have developed the creative concept, and at the end of semester must face an external panel of assessors and potential sponsors. The complexities of new venture creation are shared and discussed, the risks are analysed, and solutions proposed. They have a defined time of twelve weeks to set up a business case to present orally, and in written form, to potential investors. The active and deep learning produces a sophisticated outcome, such that students are the venture. Case method theories and principles are encapsulated in the ‘live’ venture.

Students are writing the case, examining the case, and use the method to learn and test themselves for future employment. In this model, the learner is central to the process, and application of the knowledge is inextricably linked to the outcome.

The business cases prepared by students can also be used for case method discussion in other classes, studying risk analysis, marketing management, small business management, or new ventures in creative industries.

FACILITATING CULTURAL ENTREPRENEURSHIP

The course under discussion begins by introducing students to a number of business concepts in the creative industries, in particular asking the questions “Does a business in the creative industries operate differently from traditional product manufacturing businesses” and “If there are differences, what are they, and how do they affect the operation of the business”. Through reading and discussion, students learn that there are different post-industrial models of the creative industries firm. These comprise project-oriented temporary organisations and freelance contractors, micro businesses working in flexible contracting networks, and small number larger production/distribution intermediaries around which smaller producers cluster [Rimmer 2001]. Key issues and success factors are identified which students adopt as self-positioning for future employment. These new employment hybrids demonstrate deficits in entrepreneurial and business skills, and in marketing information and e-commerce strategies, while the success stories surround innovation in action, customising products for consumers, and the exploitation of knowledge. The concept of the “plug’n’play” nature of the project-oriented temporary organisation, or virtual organisation, is analysed through its differences from the industrial age business model of capital, labour and commodities. Students are exposed to the ideas of Byrne and Brandt [1992] and Walters [2000]. Byrne and Brandt define the virtual organisation as “a temporary network of companies that come together quickly to exploit fast-changing opportunities. Companies can share costs, skills and access to global markets, with each partner contributing what it is best at” (p 427). Walters contends that virtual organisations must exploit knowledge, technology and relationship management, identifying, developing and maintaining partnerships, which ensure that product, or service objectives meet customer
expectations (p 429). Through case study analysis and a discovery process, students identify the challenges for traditional product-focused business, and the new economy ideas-focused business.

This contextual and environmental introduction is followed by an analysis of how business opportunities are recognised and validated, and a discovery of how creative individuals become entrepreneurs. Bhide’s theory on how entrepreneurs craft strategies that work (1994 reprinted 1999), together with Rumball, Crawford and Coombs’ online report of entrepreneurship in the arts and cultural sector in Canada [2002], provide a framework for students to self-assess their capacity to develop and execute entrepreneurship. They learn that they must be highly focussed, experimental, capable of assessing an idea simultaneously with planning the action, and have an unwavering belief in their own abilities. They also learn that a new venture is assessed for its viability through the four areas of idea, market, financial and organisational needs, and the risk.

At this point, the students take the knowledge of the plug’n’play organisation and the dependency on teams for outcomes, into a team workshop. Each student completes a self-assessment exercise, which helps them to identify their strengths and ways of working alongside their artform interest, so that teams can be developed for the several new creative business ventures that will be the focus of the semester study. A case study of community dance allows the teams to practice their team attributes for their own case preparation.

Each team is directed to develop a creative concept, which will be pitched to their peers in four weeks time. To support this development, and deepen the concept, three sessions on marketing are facilitated by the lecturer. The first module explores the traditional marketing principles of the 4 Ps of product, price, promotion and place, against the entrepreneurial marketing principles of positioning, product development and consumer analysis. Using the skills audit of entrepreneurs, an investigation of innovation in marketing creative ideas and concepts is proposed so that the teams devise measures that position their new product or idea in a new environment for a new market segment. They are introduced to potential supply chains and value chains that will track product development from idea or concept to delivery in the marketplace. Students discover that creativity, technical skills development, resourcing, agency contracting, competitor analysis, distribution and selling, and consumer anticipation and satisfaction must be analysed according to this overall push for a new creative economy. As a class exercise, students develop the positioning for their concept, and the measures they will use to describe it as unique. This module is followed by an in-depth session on market research methodology. The focus is the development of interpretation skills, problem solving skills and creative thinking, so that effective marketing strategies can be developed based on real evidence. The teams develop the appropriate methodology for collecting data, which will provide input into marketing strategies for their concept, idea or product.

The third marketing session brings together the factors of technology, values and market economics in the form of an investigation of new product development models in the creative industries. The values of the artist [Caves 2000, Throsby 2002], the sophistication of the market [Lewis & Bridger 2001, Lampel, Lant & Shamsie 2000, Botti 2000, Sveily 2001, Kotler and Scheff 1997], and the need for employment/income/product uptake, are reviewed through a range of product development models used in traditional arts delivery and used by independent micro-entrepreneurs in the creative technologies and creative industries. Against theories of market analysis and risk analysis, new models that provide evaluation and testing of innovation [Colbert 2001, Crealey 2003], are presented to students for particular products in particular environments. By investigating and assessing product development models in this creative and new economy, students are able to develop scenarios and models for application of their concept or product. Their task at this point is to test their product development model against market analysis and risk analysis.

In order to ensure that students have the prerequisite knowledge to progress their concepts, they are examined at this point in the semester. Teams cannot progress with ‘free loaders’. Concepts cannot be presented if the new entrepreneurs have not embraced the skills and knowledge required to build a feasible business model or case.

The next resource presented to students is the financial model. This module is designed to introduce students to the requirements of a traditional financial model with assets and liabilities, sources and uses of funds, cash flow and balance sheets, profit and loss statements and the tangibles of human resource expenses and revenue. Students are also exposed to the differences between tangible and intangible assets so that both can be considered when determining the viability of the organisation. Through Baum’s study of a value creation index [2000], students develop lists of intangible assets in their organisations
and the opportunities that exist in accounting practice for these to be measured for investment in their business model.

From financial modelling the course progresses to operational plans and organisational plans. Students use the teaching and learning resources [Sveiby2000, Shapiro 2002, and Adler & Kwon 2002. Pihkala, Varamaki &Vesalain 1999, Kor & Mahoney 2000, McNamee 1999 & 1998] offered by the lecturer to build the delivery plan for the concept to the market, embracing the human resources, facilities, supplies, distribution services, technology and time required. They read in the area of social capital, human capital, and resources based theory approaches to the firm, and managing creativity. The task is to consider these assets in relation to their production and delivery plans.

Once the business case for the creative venture is in place, the risks are evaluated. With the support of the lecturer students identify the risks in raising capital, the legal issues in their business partnerships, the political environment, and the human behaviour of staff and clients. They are expected to determine the key risks for their venture, establish what and how these risks can happen along with the consequences, establish the likelihood and level of risk and control, calculate a risk score, and develop the key points of a contingency plan for managing the risks. At this point the team may decide that the venture should not proceed. They then document the decision, or modify their plan.

The final session involves presenting the business case to a team of assessors who are brought together because of their experience in this process. They are knowledgeable in new venture assessment. They are potential investors from private enterprise or government or foundations. Students are given a workshop in presentation skills, and small team time with the lecturer as facilitator, who takes the team through a checklist developed with industry experts. The presentations take place over two weeks, with all the class present. After all presentations for that session, the assessors are invited to give feedback and ask questions. They don’t rate the presentations, but their feedback is invaluable. The lecturer rates the teams on their presentation, management of the feedback component, and on the written document.

The essence of the teaching strategy has been an ongoing link from theory to practice. Every session involved knowledge acquisition, discussion and discovery, and a task that drew together the components of the new venture business case.

**ASSESSOR EVALUATION**

Assessors’ feedback on the classroom incubator approach is extremely positive. Comments such as the following verify the approach.

*The presentations clearly displayed a depth of understanding the business concepts needed to take a creative arts concept to the market. Through the diversity of the concepts presented, it is evident that the course content, experiential environment and academic mentoring and leadership has acted to generate ideas and incubate those ideas into potential business outcomes. All teams presented compelling cases worthy of investor consideration for progression to commercial ventures.*

By bringing industry into the classroom. strong links are forged for the case for investment and business partnerships. It leads to greater understanding and respect by both partners of each other’s role and responsibilities in learning, and acts as a filter for new businesses, particularly in a sector where new entrants pose high risks for business.

**STUDENT EVALUATION**

At the conclusion of the course students were asked to comment on the teaching and the course. On a scale of 1 (very poor) to 5 (very good), students rated the course overall at 4.68 and the teaching 4.79. The teacher’s role was that of facilitator of learning and the responses to the following questions rated close to the ‘strongly agree’ end of the scale.

| This teacher helps me to understand what I am expected to learn | 4.86 |
| The teacher shows genuine interest in my learning and learning needs | 4.54 |
| The teacher gives me feedback that helps me to improve my learning | 4.5 |
| The teacher helps me to develop my knowledge, understanding and skills, beyond the memorisation of content. | 4.43 |
The teaching, learning and assessment tasks are used by the teacher in ways that help me learn. 4.21
The teaching methods used in this course work together to help me learn 4.33
The assessment tasks are clearly related to what I am expected to learn. 4.68

The overall rating by students was 77.3% at very good, 13.6% at good, and 9.1% at satisfactory. Qualitative comments on the evaluation sheets described the feedback from the professional panel as “very useful” and the “real world” application as well done.

THE SUCCESS STORIES

As the means of measuring claims such as “the task has value beyond assessment” and that “knowledge has tangible results”, the application of the creative venture post the classroom modelling provides reassurance. In the first year of delivery, 2002, two graduates who had jointly developed a business model for a fashion design concept took their idea and skills into fully-fledged businesses.

Jane took her handbags from craft to retail. She developed a brand “Girls Made This” and used the first business model as a template for new products, childrens’ clothes and then jewellery. Jane’s jewellery is now in 30 stores across Australia, she has overseas markets, and regular features in fashion magazines. Her focus was to get the label, described as “handcrafted innovative product”, into distribution. In four years Jane’s income and confidence is such that she now takes on young ‘creatives’ and mentors them into market distribution. She sees the greatest test as helping these ‘creatives’ move away from their emotional connection to their product. Jane claims that there is a huge market of talent that is staying where it is. She uses her business model to provide a portal for other producers.

Natalie moved from the handbag design to create her own fashion events service. She has networks with major designers, fashion houses and retailers, and has pushed fashion events to a dynamic service raising funds for charity, creating brand awareness, promoting fashion sales, and packaging social awareness for consumers.

In 2005, Elizabeth shared her stand-up comedy skills with a classroom team who developed a powerful case for a new Australian comedy series on television. The local content producer of the national broadcaster took the idea and offered Elizabeth a test production of the script.

Each of the graduates claims that the learning experience of preparing their start-up was transformational. The ‘real world’ learning experience ensured that they were able to take that business plan and begin work immediately as cultural entrepreneurs.

CONCLUSION

Real life experiences are recognised as being the best training ground for entrepreneurs in new business ventures. Stories abound of successes and failures in the creative industries. This paper has described a business course that replicated the real world as closely as possible in all aspects of building a business venture from a creative concept. The process relied heavily on case method principles, so that students ‘learned by doing’ without the exposure to financial risk. What the students achieved as cultural entrepreneurs is measured in the intangible assets of human capital and cultural capital. What the teacher achieved is a mandate for this teaching strategy to be used more widely in the classroom, so that graduates can maximize their talents in a rapidly changing workplace.

REFERENCES


