

FGF Studies in Small Business and Entrepreneurship

Elisa Innerhofer  
Harald Pechlaner  
Elena Borin *Editors*

# Entrepreneurship in Culture and Creative Industries

Perspectives from Companies and  
Regions

 Springer

# **FGF Studies in Small Business and Entrepreneurship**

## **Editors-in-Chief**

Joern H. Block

University of Trier, Heide, Germany

Andreas Kuckertz

University of Hohenheim, Stuttgart, Germany

## **Editorial Board**

Dietmar Grichnik

University of St. Gallen, St. Gallen, Switzerland

Friederike Welter

University of Siegen, Siegen, Germany

Peter Witt

University of Wuppertal, Wuppertal, Germany

More information about this series at <http://www.springer.com/series/13382>

Elisa Innerhofer • Harald Pechlaner • Elena Borin  
Editors

# Entrepreneurship in Culture and Creative Industries

Perspectives from Companies and Regions

*Editors*

Elisa Innerhofer  
Center for Advanced Studies  
Eurac Research  
Bolzano-Bozen, Italy

Harald Pechlaner  
Chair of Tourism  
Catholic University of Eichstätt-Ingolstadt  
Eichstätt, Germany

Elena Borin  
Burgundy School of Business  
ESC Dijon Bourgogne  
Dijon, France

ISSN 2364-6918                      ISSN 2364-6926 (electronic)  
FGF Studies in Small Business and Entrepreneurship  
ISBN 978-3-319-65505-5              ISBN 978-3-319-65506-2 (eBook)  
DOI 10.1007/978-3-319-65506-2

Library of Congress Control Number: 2017955821

© Springer International Publishing AG 2018

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Printed on acid-free paper

This Springer imprint is published by Springer Nature  
The registered company is Springer International Publishing AG  
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

# Contents

|   |           |
|---|-----------|
| <b>Introduction . . . . .</b>   | <b>1</b>  |
| Harald Pechlaner, Elisa Innerhofer, and Elena Borin   |           |
| <b>Part I Combining Creative Industries and Business Issues</b>   |           |
| <b>Culture-Based Products: Integrating Cultural and Commercial Strategies . . . . .</b>   | <b>11</b> |
| Chiara Isadora Artico and Michele Tamma   |           |
| <b>Entrepreneurial Behavior and Financing Structures in the German Creative Industries . . . . .</b>                                      | <b>25</b> |
| Elmar D. Konrad   |           |
| <b>Financial Sustainability of Small- and Medium-Sized Enterprises in the Cultural and Creative Sector: The Role of Funding . . . . .</b> | <b>45</b> |
| Elena Borin, Fabio Donato, and Christine Sinapi   |           |
| <b>Entrepreneurial Storytelling as Narrative Practice in Project and Organizational Development . . . . .</b>                             | <b>63</b> |
| Birgitta Borghoff   |           |
| <b>The Paradox Between Individual Professionalization and Dependence on Social Contexts and Professional Scenes . . . . .</b>             | <b>85</b> |
| Bastian Lange   |           |
| <b>Entrepreneurship in the Creative Industries . . . . .</b>  | <b>99</b> |
| Stefan Schulte-Holthaus   |           |

## **Part II The Value of Creative Industries for Change and Development**

|  |            |
|--|------------|
| <b>Entrepreneurial Education in Arts Universities: Facilitating the Change to the Entrepreneurial Mindset . . . . .</b>                            | <b>157</b> |
| Kristina Kuznetsova-Bogdanovits, Anna-Maria Ranczakowska-Ljutjuk, and Kaari Kiitsak-Prikk  |            |
| <b>The New Socio-Cultural Entrepreneurs . . . . .</b>  | <b>171</b> |
| Gesa Birnkraut   |            |
| <b>From Edge to Engine . . . . .</b>   | <b>183</b> |
| Shoshanah B.D. Goldberg-Miller and Rene Kooyman  |            |
| <b>Cultural Entrepreneurship in the Context of Spillovers Within the Cultural and Creative Industries . . . . .</b>                                | <b>197</b> |
| Lyudmila Petrova   |            |
| <b>Enhancing the Potential of Cultural Entrepreneurship: Connecting Regional Development and Performance of Cultural Firms in Europe . . . . .</b> | <b>213</b> |
| Andrej Srakar and Marilena Vecco   |            |
| <b>When Culture Meets Economy . . . . .</b>  | <b>229</b> |
| Harald Pechlaner and Elisa Innerhofer  |            |

## **Part III Creative Industries in the Context of Regional and Destination Development**

|  |            |
|--|------------|
| <b>Cultural Entrepreneurship and Rural Development: Case Study of Pirot, Serbia . . . . .</b>  | <b>245</b> |
| Hristina Mikić   |            |
| <b>Case Study: Don't Say Street Art, Just Say Fanzara . . . . .</b>  | <b>265</b> |
| Rosa Currás and Maria Escrivá  |            |
| <b>Relevant Locational Factors for Creative Industries Startups . . . . .</b>  | <b>281</b> |
| Uwe Eisenbeis  |            |
| <b>Managing a World Heritage Site in Italy as Janus Bifrons: A "Decentralized Centralization" Between Effectiveness and Efficiency . . . . .</b>                                     | <b>297</b> |
| Francesco Crisci, Marika Gon, and Lucia Cicero   |            |
| <b>Creative Entrepreneurship in No Man's Land: Challenges and Prospects for a Metropolitan Area and Smaller Communities. Perspectives from the Never-Ending Transition . . . . .</b> | <b>311</b> |
| Milena Stefanovic  |            |

|   |            |
|---|------------|
| <b>Experience-Driven Cultural Entrepreneurship: Business Models and Regional Development in the “World of Frederick II Hohenstaufen” . . . . .</b>    | <b>327</b> |
| Dorothea Papathanasiou-Zuhrt, Aldo di Russo, and Konstadinos Kutsikos   |            |
| <b>Urban Creative and Cultural Entrepreneurs: A Closer Look at Cultural Quarters and the Creative Clustering Process in Nantes (France) . . . . .</b> | <b>341</b> |
| Nathalie Schieb-Bienfait, Anne-Laure Saives,<br>and Brigitte Charles-Pauvers, with the collaboration of Sandrine Emin,<br>Hélène Morteau              |            |



# List of Contributors

**Chiara Isadora Artico** Università Ca’Foscari Venezia, Venezia, Italy

**Gesa Birnkraut** Hochschule Osnabrück, Osnabrück, Germany

**Birgitta Borghoff** Zurich University of Applied Sciences, School of Applied Linguistics, Institute of Applied Media Studies, Winterthur, Switzerland

**Elena Borin** CEREN, EA 7477, Burgundy School of Business—Université Bourgogne Franche Comté, Dijon, France

**Brigitte Charles-Pauvers** Institut d’Economie et de Management de Nantes-IAE, Université de Nantes, Nantes, France

**Lucia Cicero** Department of Economics and Statistics, University of Udine, Udine, Italy

**Francesco Crisci** Department of Economics and Statistics, University of Udine, Udine, Italy

**Rosa Currás** Department of Languages, Universidad Católica de Valencia “San Vicente Mártir”, València, Spain

**Aldo di Russo** Growth Transformation & Value Engineering (WAVE) Lab, Business School, University of the Aegean, Mytilene, Greece

**Fabio Donato** Università degli Studi di Ferrara, Ferrara, Italy

**Uwe Eisenbeis** Hochschule der Medien, Stuttgart, Germany

**Maria Escrivà** Department of Languages, Universidad Católica de Valencia “San Vicente Mártir”, València, Spain

**Shoshanah B.D. Goldberg-Miller** Department of Arts Administration, Education, and Policy, College of Arts and Sciences, Columbus, USA

**Marika Gon** Department of Economics and Statistics, University of Udine, Udine, Italy

**Elisa Innerhofer** Center for Advanced Studies, Eurac Research, Bozen, Italy

**Kaari Kiitsak-Prikk** Estonian Academy of Music and Theatre, Tallinn, Estonia

**Elmar D. Konrad** Hochschule Mainz, Institut für unternehmerisches Handeln, Mainz, Germany

**Rene Kooyman** Department of Arts Administration, Education, and Policy, College of Arts and Sciences, Columbus, USA

**Konstadinos Kutsikos** Growth Transformation & Value Engineering (WAVE) Lab, Business School, University of the Aegean, Mytilene, Greece

**Kristina Kuznetsova-Bogdanovits** Estonian Academy of Music and Theatre, Tallinn, Estonia

**Bastian Lange** University of Leipzig, Leipzig, Germany

**Hristina Mikić** Fondacija Grupa za kreativnu ekonomiju (Creative Economy Group Serbia), Belgrade, Serbia

**Dorothea Papathanasiou-Zuhrt** Growth Transformation & Value Engineering (WAVE) Lab, Business School, University of the Aegean, Mytilene, Greece

**Harald Pechlaner** Chair of Tourism, Catholic University of Eichstätt-Ingolstadt, Bozen, Italy

**Lyudmila Petrova** CREARE Center for Research in Arts and Economics, Zwolle, The Netherlands

**Anna-Maria Ranczakowska** Estonian Academy of Music and Theatre, Tallinn, Estonia

**Anne-Laure Saives** Département de management et technologie, UQAM-Université du Québec à Montréal, Montréal, Canada

**Nathalie Schieb-Bienfait** Institut d'Economie et de Management de Nantes-IAE, Université de Nantes, Nantes, France

**Stefan Schulte-Holthaus** Macromedia University of Applied Sciences, Munich, Germany

University of Hohenheim, Stuttgart, Germany

**Christine Sinapi** Burgundy School of Business, Université Bourgogne Franche Comté, Besançon, France

**Andrej Srakar** Faculty of Economics, University of Ljubljana, Ljubljana, Slovenia

**Milena Stefanovic** Faculty of Drama Arts, University of Arts, Belgrade, Serbia

**Michele Tamma** Università Ca'Foscari Venezia, Venezia, Italy

**Marilena Vecco** Burgundy School of Business, Dijon, France

# Introduction

## Cultural and Creative Entrepreneurship as Drivers for Change and Development

Harald Pechlaner, Elisa Innerhofer, and Elena Borin

**Abstract** Cultural and creative industries have been recently affected by the broader economic, social and structural changes that are influencing not only the academic debate around cultural and creative industries but also their governance and management models. The aim of this book is to investigate how economic, social, and structural changes affect entrepreneurship in the cultural and creative industries through a multi-disciplinary perspective. The volume presents an interdisciplinary approach to this theme, including contributions from entrepreneurship and its management, regional and destination management and development, sociology, psychology, innovative sectors, and the creative industries. The presented contributions will focus on an analysis of individuals/entrepreneurs from the creative industries and analyses of cultural organizations, artistic initiatives, businesses, and regions and destinations. Contributions will be research-based, practice-based or a combination of both.

**Keywords** Culture • Creative industries • Entrepreneurship • Change • Regional development

---

H. Pechlaner (✉)

Chair of Tourism, Catholic University of Eichstätt-Ingolstadt, Eichstätt, Germany

e-mail: [harald.pechlaner@ku.de](mailto:harald.pechlaner@ku.de)

E. Innerhofer

Center for Advanced Studies, Eurac Research, Bolzano-Bozen, Italy

e-mail: [elisa.innerhofer@eurac.edu](mailto:elisa.innerhofer@eurac.edu)

E. Borin

CEREN, EA 7477, Burgundy School of Business—Université Bourgogne Franche Comté, Dijon, France

e-mail: [elena.borin@escdijon.eu](mailto:elena.borin@escdijon.eu)

© Springer International Publishing AG 2018

E. Innerhofer et al. (eds.), *Entrepreneurship in Culture and Creative Industries*,

FGF Studies in Small Business and Entrepreneurship,

DOI 10.1007/978-3-319-65506-2\_1

# 1 Times of Change: The Impact on Creative Industries

Defining creative industries is often context-dependent. Even if they are defined in various ways, the core of the term remains the same: creative industries are characterized by the input of creative individuals (Chaston and Sadler-Smith 2012). Creative industries are those that have their origins in individual creativity, skill, and talent. They contribute to wealth and the creation of jobs through the generation and exploitation of intellectual property (DCMS 2001). Cultural industries, as part of the creative industry, combine the creation, production, and commercialization of creative content, which is intangible and cultural in nature. These industries generally include print, publishing and multimedia, audiovisual, phonographic, and cinematographic productions as well as those dealing with crafts and design. The term “creative industries” includes a broad range of sectors and refers to architecture and advertising. The main part of the products and services consist of creative or artistic work and activities (United Nations Educational, Scientific and Cultural Organisation 2006).

It is now generally accepted that creative industries contribute to economic growth. They play an important role in spreading innovation across the wider economy through their products and services, but also through new ideas, knowledge, processes, and ways of working. Furthermore, they also contribute to social inclusion, foster the inclusion of cultural diversity, and promote sustainable human development (United Nations 2011). In addition, creative industries can enhance the social environment in a city or region (UNCTAD 2008), which seems to be even more important when one considers the ongoing migration flows. Creative industries can be described as the changing paradigm of future economic growth in highly developed countries, which no longer concentrate on manufacturing output and labor productivity, but rather expend effort on attracting human capital (Pratt 2009).

The effects of recent developments and the financial crisis on the creative industries, however, are important issues that require further investigation and theoretical reflection (Rozentale 2014). The economic, social, and structural changes and the economic and financial crisis have impacted the different sectors of the creative industry, including entrepreneurship/entrepreneurial activities in the cultural and creative fields (De Propriis 2013) and have caused management issues in coping with the slowdowns and developments (Brabazon 2015).

The economic crisis created challenges for the creative industries, especially for specific branches, such as the cultural sector. The effects of recession often hit the cultural sector first. Researchers often discuss the negative effects of reduced public financing on the industry (Pratt and Hutton 2013). Due to the heterogeneity of the creative industries, however, this is not the case for other creative sectors, such as for the information and communications sector, which mostly operates independently and without public financing and subsidies (Pratt and Hutton 2013; Reid et al. 2010).

According to the Creative Economy Report 2010, the creative industries have, in general, been more resilient to the global economic crisis than other, mainly traditional manufacturing industries (United Nations 2011). One reason for the resilience of the CCIs in turbulent times may relate to their capacity to form specific production areas, or so-called clusters. Clusters are considered a governance tool that can potentially foster the development of creative industries through information spillovers,

knowledge sharing, interactions, and the necessary infrastructure (Musterd and Murie 2010). The resilience of creative industries is also a result of their interdependent relationship with non-creative, traditional businesses. Creative industries providing services to traditional businesses are generally less resilient than those providing their goods and services to the final consumer (Pratt and Hutton 2013).

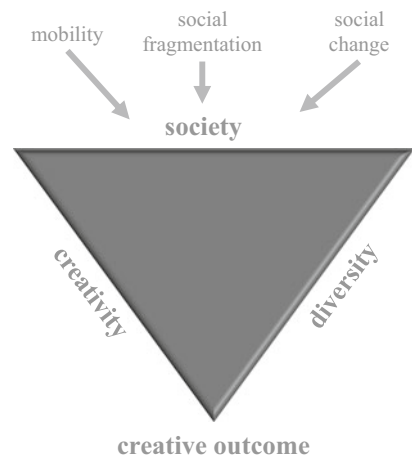
Furthermore, the landscape of increased connectivity, complexity, and growth, based on continued digitization, influences and changes creative industries. This could be interpreted as both a challenge and an opportunity for new business models within the creative sectors. Innovation in the creative is are driven by an intricate relationship between content and technology and by the collaboration of artists and scientists (Technology Strategy Board 2013).

The creative industries are not just influenced by changes, however; they also induce changes, including via working practices, for example. According to Florida (2002), “artists, musicians, professors and scientists have always set their own hours, dressed in relaxed and casual clothes and worked in stimulating environments.” They strive to work more independently, give up job security for autonomy, and express their identities through work. Florida (2002) maintains that with the rise of the creative class, this way of working has moved from the margins and become mainstream, economically speaking. These developments also induce organizational changes. Traditional hierarchical systems of control are replaced with new forms of self-management, peer-recognition and pressure, and intrinsic forms of motivation.

Because of the positive impacts of creative industries on growth and development, they are an important target group for city, regional and destination development. According to Florida (2002), creative industries are developing in cities that fulfill certain social aspects and have a social image. Creativity is also linked to a plural vision of society in times of increased mobility and social fragmentation. The growing diversity of postmodern societies is also seen as a creative resource (Fig. 1) (Richards and Wilson 2007).

This diversity and multiplicity of stakeholders has led academics and professionals to reflect on the way cultural and creative industries are interpreted. Culture should be

**Fig. 1** The relationship between society, creativity, and diversity. Source: Own illustration

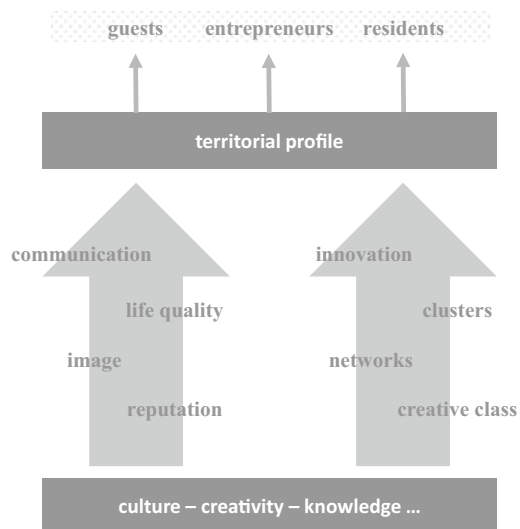


interpreted as an ecology rather than as an economy (Holden 2015), and debate on the need for new governance systems and management models based on cultural identity at the territorial level has increased (Bonet and Donato 2011). In particular, the criteria for designing and enhancing cultural ecosystems (Borin and Donato 2015) have developed from the long-standing experience of creative clusters and districts and trans-sectoral networks and multi-stakeholder partnerships have been identified as potential models to enhance the cultural and creative sector (Borin 2015).

As such, some similarities may be observed when analyzing the locational factors important for the attraction of the creative industries and for a region as a location for companies and entrepreneurs and as a destination for tourists. Knowledge, innovation, and creativity are considered central facilitators of a region's competitiveness (Floeting 2007). In recent years, urban policy developers and regional development agencies have paid increasing attention to the soft infrastructure and soft locational factors of cities and regions (Pechlaner and Bachinger 2010). According to Landry (2008), soft infrastructure refers to the various types of social interaction, facilitated by informal institutions, which enable the generation of new ideas. Soft infrastructure or soft locational factors mainly include intangible aspects, such as quality of life, urban/rural atmospheres, the level of diversity of the population, tolerance, networking quality, the existence of sector-specific networks (e.g. industrial networks or creative clusters), and the image or reputation of a city or region (Pechlaner and Bachinger 2010). These locational factors attract not only the creative class but also visitors and guests (Fig. 2). As such, arts, cultural heritage, and cultural and as creative initiatives are the basis for the successful development of cultural tourism (Pechlaner et al. 2009).

Why have the creative industries and creativity become such important aspects of territorial development strategies? What are the challenges for creative industries in terms of business models, financing, and interaction with the broader territorial ecosystem? The contributions in this volume will address these questions, analyzing

**Fig. 2** Creativity as a resource for a territorial profile. Source: Own illustration based on Lange et al. (2009)



and discussing the links between creative industries and tourism and destination development and creative industries' development with regard to emerging models of governance and management and their interaction with their territorial ecosystem.

## **2 About the Book: Content and Organization**

The volume uses an interdisciplinary approach and includes contributions from entrepreneurship and management, regional and destination management and development, sociology, psychology, innovative sectors, and the creative industries. The papers focus on analyzing individuals/entrepreneurs from creative industries, and further analyses of cultural organizations, artistic initiatives, businesses, and regions and destinations. A wide range of examples taken from various countries explore the interface between tourism and creativity, between regions, rural areas and creative spaces, and between cultural and creative clusters. The relationship between individual and collective creativity is also discussed.

The main objectives of the book are threefold. First, it should help to contribute insight concerning changes at the management and governance levels in the creative and cultural enterprises. Second, the volume aims to discuss the impacts of economic, social, and structural changes on cultural entrepreneurship. Third, the role of cultural entrepreneurship in regional and destination management and development should be investigated by presenting best practice examples. Furthermore, the volume should provide a platform to address problems and challenges and to initiate discussions on selected issues concerning cultural entrepreneurship and its connection to tourism as well as to business, organizational and regional development.

The book includes articles investigating cultural entrepreneurship on a corporate level, i.e. within companies and firms, as well as on a spatial level, or in regions and destinations. Contributions are research-based, practice-based or are the result of a combination of both. The primary audience of the book includes professors and academics as well as researchers interested in the fields of entrepreneurship, cultural management, creative industries, and regional and destination development. The book targets academics and researchers in the field of tourism management, regional management, and business management and creates awareness of the importance of creative industries, the arts, and culture for the innovativeness and success of businesses, organizations and regions. The goal is to give insight into how entrepreneurship can be integrated within the development of creative practices.

### ***2.1 Structure of the Book***

The book is divided into three parts. Part I focuses on cultural and creative industries and their business strategies. On the basis of theoretical frameworks presented in each chapter, the authors present examples of how creative and cultural industries

may be combined with business and organizational issues to compete in dynamic markets. Artico and Tamma focus on the collaborative potential of culture and business and provide insight into companies that place culture at their core. The following two chapters focus on financial issues related to creative industries. In Chap. 2, Konrad focuses on start-up activities within creative industries and gives an overview of their finance behavior and financing structures. Borin, Sinapi, and Donato argue that financing structures are keys to success within the cultural and creative field and investigate access to bank financing for SMEs (small and medium-sized enterprises) in the cultural and creative sector. Chapter 4 (Borghoff) is based on a case study analysis. The author outlines entrepreneurial storytelling in project and organizational development. Lange (Chap. 5) highlights professional careers within the various sectors of the creative industries by analyzing how entrepreneurs deal with the paradox between individual professionalization and dependence on social contexts and professional scenes. Schulte-Holthaus presents comprehensive research on literature dealing with entrepreneurship within the creative industries.

Part II explores the potential of cultural and creative industries to promote change and influence development. Kiitsak-Prikk, Kuznetsova-Bogdanovits and Ranczakowska-Ljutjuk's contribution focuses on the entrepreneurial education offered to students in the creative fields on the basis of their study not only of institutions of higher education but also of the broader ecosystem of the Cultural and Creative Industry (CCI) in Estonia. In the following chapter, Birnkraut reflects on the relationship between social and cultural entrepreneurship. In their contribution, Kooyman and Goldberg-Miller discuss the international policy community's shift in perception regarding the creative sector, in which it was no longer viewed as a mere cultural resource, but rather as an economic engine. Petrova addresses entrepreneurship in the cultural and creative sector, with reference to its spillovers. Srakar and Vecco investigate the connection between regional development and the performance of cultural firms in Europe, while Pechlaner and Innerhofer reflect on the culture and CCIs in regional innovation systems.

Part III aims at providing insight into the link between CCIs and regional development in the framework of tourism and destination governance and management. Papers will analyze case studies focusing on, for example, cultural entrepreneurship and rural development in Serbia (Mikic) and street art as a tool for village rebranding and as a means to enhance a sense of community belonging in Spain (Currás and Escrivá). Stakeholder perspectives and multi-stakeholder management and governance are also addressed with respect to the greater region of Stuttgart (Eisenbeis) and within a World Heritage Site in Italy (Crisci, Gon and Cicero). Stefanovic's paper focuses on defining the main characteristics, challenges, and prospects for entrepreneurship in the cultural and creative sector within a metropolitan area. Papathanasiou-Zuhrt, di Russo, and Kutsikos explore innovation of business models within experience-driven business ecosystems that focus on adaptive reuse of cultural heritage. In the last chapter, Schieb-Bienfait, Saives, and Charles-Pauvers address cultural quarters and the creative clustering process.



## References

- Bonet, L., & Donato, F. (2011). The financial crisis and its impact on the current models of governance and management of the cultural sector in Europe. *ENCATC Journal*, 1(1), 4–11.
- Borin, E. (2015). Fostering the creation of cross-sectorial networks: Key drivers for culture-related collaborations in Italy's Po Delta Region. *Journal of Cultural Management and Policy*, 5, 27.
- Borin, E., & Donato, F. (2015). Unlocking the potential of IC in Italian cultural ecosystems. *Journal of Intellectual Capital*, 16(2), 285–304.
- Brabazon, T. (2015). *Unique urbanity? Rethinking third tier cities, degeneration, regeneration and mobility*. Wiesbaden: Springer.
- Chaston, I., & Sadler-Smith, E. (2012). Entrepreneurial cognition, entrepreneurial orientation and firm capability in the creative industries. *British Journal of Management*, 23(3), 315–432.
- De Propriis, L. (2013). How are creative industries weathering the crisis? *Cambridge Journal of Regions, Economy and Society*, 6, 23–35.
- Department for Culture, Media and Sport (DCMS). (2001). *Creative industries mapping document*. London: DCMS.
- Floeting, H. (2007). Wissen und Kreativität als Treiber urbaner Entwicklung – Braucht die Stadt neue Räume? In M. Schenk, V. Popovich, & J. Benedikt (Eds.), *To plan is not enough: Strategies, plans, concepts, projects and their successful implementation in urban, regional and real estate development* (pp. 367–377). Wien: Real Corp 007.
- Florida, R. L. (2002). *The rise of the creative class: And how it's transforming work, leisure, community and everyday life*. New York: Basic Books.
- Holden, J. (2015). *The ecology of culture*. A Report commissioned by the Arts and Humanities Research Council's Cultural Value Project. Art's and Humanities Research Council.
- Landry, C. (2008). *The creative city: A toolkit for urban innovators*. London: Routledge.
- Lange, S., Pechlaner, H., & Abfalter, D. (2009). The impact of culture on territorial profiles. In H. Pechlaner, D. Abfalter, & S. Lange (Eds.), *Culture and creativity as location factors – Looking beyond metropolitan areas* (pp. 155–173). Innsbruck: Innsbruck University Press.
- Musterd, S., & Murie, A. (2010). *Making competitive cities*. Oxford: Wiley-Blackwell.
- Pechlaner, H., Abfalter, D., & Lange, S. (Eds.). (2009). *Culture and creativity as location factors – Looking beyond metropolitan areas*. Innsbruck: Innsbruck University Press.
- Pechlaner, H., & Bachinger, M. (Hrsg.). (2010). *Lebensqualität und Standortattraktivität. Kultur, Mobilität und regionale Marken als Erfolgsfaktoren*. Berlin: ESV.
- Pratt, A. C. (2009). Policy transfer and the field of cultural and creative industries: Learning from Europe? In L. Kong & J. Connor (Eds.), *Creative economies, creative cities: Asian-European perspectives*. Heidelberg: Springer.
- Pratt, A. C., & Hutton, T. A. (2013). Reconceptualising the relationship between the creative economy and the city: Learning from the financial crisis. *Cities*, 33, 86–95.
- Reid, B., Albert, A., & Hopkins, L. (2010). *A creative block? The future of the UK creative industries*. A knowledge economy and creative industries report. Accessed February 22, 2017, from [http://www.theworkfoundation.com/assets/docs/publications/277\\_a%20creative%20block.pdf](http://www.theworkfoundation.com/assets/docs/publications/277_a%20creative%20block.pdf)
- Richards, G., & Wilson, J. (2007). Tourism development trajectories: From culture to creativity? In G. Richards & J. Wilson (Eds.), *Tourism, creativity and development* (pp. 1–33). Oxon: Routledge.
- Rozentale, I. (2014). Creative industries during economic recession: The case of Riga. *Regional Studies, Regional Science*, 1(1), 329–335.
- Technology Strategy Board. (2013). Accessed February 22, 2017, from <http://www.cdialliance.co.uk/wp-content/uploads/2013/09/Creative-Industries-Strategy-2013-2016.pdf>
- United Nations. (2011). *Creative economy report 2010. Creative economy: A feasible development option*. Accessed February 17, 2017, from [http://unctad.org/en/Docs/ditctab20103\\_en.pdf](http://unctad.org/en/Docs/ditctab20103_en.pdf)

United Nations Conference on Trade and Development (UNCTAD). (2008). *Creative economy report 2008*. Geneva: UNCTAD.

United Nations Educational, Scientific and Cultural Organisation. (2006). *Understanding creative industries. Cultural statistics for public policy-making*. Accessed February 28, 2017, from [http://portal.unesco.org/culture/en/ev.php-URL\\_ID=29947&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=-465.html](http://portal.unesco.org/culture/en/ev.php-URL_ID=29947&URL_DO=DO_TOPIC&URL_SECTION=-465.html)

**Part I**  
**Combining Creative Industries**  
**and Business Issues**

# Culture-Based Products: Integrating Cultural and Commercial Strategies

Chiara Isadora Artico and Michele Tamma

**Abstract** Today it is customary to speak of the collaborative potential of culture and business to achieve benefits in one's cultural and professional lives. Making sense of the involvement of culture in firms, however, requires a better understanding of the link between cultural practices and projects and the development of business models. This paper focuses on companies that place culture at the core of their respective production practices and business models, with particular reference to those offering *culture-based products*. For these kinds of products, the creation, preservation, enhancement and transmission of a specific culture all play vital roles in embedding particular aesthetic and symbolic content in their unique consumption experiences. In order to explore the integration of cultural and commercial strategies that *culture-based products* seem to drive, we propose an early study through the investigation of a set of brands competing in the same field.

**Keywords** Commercial and cultural strategies • Culture-based products • Cultural activities • Retail • Luxury perfumery industry

## 1 Introduction

Today it is customary to speak of the collaborative potential of culture and business to achieve benefits in one's cultural and professional lives. It is increasingly claimed that culture is crucial for social and economic development and that economic benefits are broader than those relating merely to the production and consumption of cultural goods, since culture can support creativity and foster innovation in other sectors. Not everything is, however, so simple. On the one hand, there is debate concerning the risk of the commodification and poor protection of culture and cultural heritage, as well as on the sustainability of cultural policies in a time of public funding shortages. On the other hand, it has been argued that public and private investment in culture is able to generate economic and social

---

C.I. Artico • M. Tamma (✉)  
Università Ca'Foscari Venezia, Venezia, Italy  
e-mail: [info@iodeposito.org](mailto:info@iodeposito.org); [tamma@unive.it](mailto:tamma@unive.it)

benefits almost “automatically.” Concerning public policies, well-known issues arise on how to allocate funds and resources, how to measure outcomes, and how to promote the participation and engagement of citizens and for-profit and non-profit organizations (entrepreneurs) acting individually or collectively. As concerns the private sector, especially enterprises, the question is *if, to what extent, and how* to respond to this “call” for more engagement in art and culture. Beyond philanthropy, could companies also be motivated by business logic?

Making sense of the involvement of culture in business—beyond patronage and sponsorship—requires a better understanding of the link between cultural practices and projects and the development of business models. As noted by Comunian (2009, 2013), much research in the field has insufficiently investigated “how arts and culture can be integrated in the products and become a source of added value in the production chain.”

The focus of this paper is on those **companies that place culture at the core of their respective business models and product selections**, with particular reference to those offering *culture-based products*. For these kinds of products, the creation, preservation, enhancement and transmission of a specific culture all play vital roles in embedding particular aesthetic and symbolic content in the unique cultural consumption experiences that they offer (Moreno et al. 2004; Cinti 2007; Sedita 2009; Tamma 2010). Starting from the inspiring example of *The Merchant of Venice*, a luxury perfume brand recently launched by Mavive S.p.A.—a Venetian company heavily committed to numerous cultural and artistic activities—and also considering a set of brands competing in the same field, the present exploratory research aims at investigating the extent to which these companies integrate cultural and commercial aspects in their strategy and whether and how these tend to influence their business model configurations.

## 2 Theoretical Background

“Today, more than ever, products determine their own market presence not only through their [functional] attributes but also through the meanings that they assume, the dialogue that they establish with the user and also the symbolic value that they exude” (Dell’Era 2010, 72). Consumers increasingly make brand choices on the basis of aesthetic and symbolic content, as well as user interface and their own experiences. This trend has accentuated the importance for companies to embed distinct values and meanings in their business organization and product portfolio and to appropriately communicate such values and meanings to consumers (Manniche and Testa 2010, 264).

It has been increasingly recognized that this type of innovation can benefit from the content, information and creative ideas that the cultural sector can provide (KEA 2009), thus the need for businesses to invest in culture and to build relationships within the cultural sphere, including artists and arts organizations (Comunian 2009, 37).

Private investment in culture is far from new. Forms of patronage and sponsorship have long supported arts and culture. However, corporate sponsorship has been considered mostly in terms of marketing objectives, as a means for brand promotion, and as an opportunity to strengthen corporate image or change the public perception of a company. In this sense, “the collaboration with the arts is seen as an add-on, ex-post, that simply expands the market possibility of the products” (Comunian 2009, 203). A company’s engagement in arts and culture, however, can be more far-reaching. Instead of being viewed as a simple “add-on,” it can be considered a powerful engine for the innovation of product and process.

The increase in the number of programs for art-in-business and artful learning testify to a growing interest in the use and effects of art and methods of creating art in various organizational contexts (Darsø 2005). Schnugg (2014) considers the many possibilities of bringing the arts into organizations: arts-based interventions take various forms in terms of how they are realized and how they influence organizations and their actors.

Relationships with artists and cultural organizations (as interpreters of present and future trends, tastes, languages, and lifestyles) can provide creative ideas for product innovations. Such a “strategy aims at radically changing the emotional and symbolic content of products (i.e. their meanings and languages) through a deep understanding of broader changes in society, culture, and technology [. . .]. Instead of being pulled by user requirements [*user-centered design*], *design-driven innovation* is pushed by a firm’s vision about possible new product meanings and languages that could diffuse in society” (Verganti 2008).

*Cultural heritage*, at the local and national level, can also provide content, meaning, and know-how with which to confer identity and authenticity to product offerings: “The transformation of traditional knowledge into creative goods and services reflects something significant about the cultural values of the country and its people” (UNCTAD 2008). The increasing impact of *Country-of-origin* and *made-in* labels is well known by practitioners and scholars (see Bertoli and Resciniti 2013). There is no doubt that a product’s place of origin, like its price or brand, can positively or negatively affect the attitudes and behavior of consumers (Bilkey and Nes 1982; Papadopoulos and Heslop 2002; Kaynak and Cavusgil 1983), though the effect on its perception tends to be more influential among shoppers of specialty goods than among shoppers of convenience goods (Eroglu et al. 2003; Liefeld 1993).

Symbolic content and cultural meaning, however, can be difficult to communicate consistently outside of specific social and geographic contexts when references to culture and local distinctions are missing; therefore, firms face the need to communicate and stage experiences (Carù and Cova 2007) to recreate context: “Products can create experiential value for customers, but the process of purchasing them can also be experiential in nature” (Candi et al. 2013, 282). The choice of distribution location, as well as the creation of a particular context of experience inside the place of sale (shops, stores, corners and outlets) can promote the product’s origin, the perception of the cultural content of goods and services, and the identity of the producer (Vescovi 2013). In addition, it has become crucial to

offer a shopping experience full of perceptual stimuli and emotional elements. In the literature that identifies the store as a key element in the transfer of feelings and emotions (Holbrook and Hirschman 1982), the role of the point-of-sale, of its layout, architecture and atmosphere, is widely acknowledged (Checchinato and Hu 2013).

The commitment of companies to arts, culture, and cooperation with cultural organizations can be considered not only as a method with which to develop and communicate an innovative and distinctive selection of products, but also as a strategy to maintain and cultivate a rich environment of unique and valuable resources. With their conservation, regeneration and use of culture and cultural heritage, companies can create both economic and social value. We refer to the concept of “shared value” defined by Porter and Kramer (2011, 66): “as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.” The more tightly corporate philanthropy is aligned with core business strategies, the more the long-term competitiveness of the company will benefit through enhancing the cultural context of products and their production.

Various aspects and connections between firms, arts and culture have been well investigated by scholars. The integration of commercial and cultural strategies, however, especially in the case of firms that place a heavy emphasis on culture and creativity, appears as yet insufficiently developed. In this article, we contribute to the development of a theoretical framework to describe and interpret culture-based business with an explorative multiple case study that highlights relevant aspects of the studied businesses’ cultural and commercial strategies and business model configurations.

### 3 Methods and Cases

The present work is based on a multiple case study. The qualitative research design was motivated by the lack of an existing theoretical framework to deepen the integration of commercial and cultural strategies in culture-based business, and so by the need to uncover and better understand relevant aspects and concepts in this area. In order for an “organization study to fulfill its potential for description, explanation, and prescription, it is first necessary to discover relevant concepts for the purpose of theory building that can guide the creation and validation of constructs” (Gioia et al. 2013, 16).

The cases studied involve business firms operating in the luxury perfume industry whose products are recognized as “historic” and potentially competitive by virtue of their history, identity, and cultural meaning. This quickly expanding industry, though not new, is now highly international and characterized by selective distribution channels. There is also significant interest in the field of luxury perfume by the European Commission, which has identified three luxury products around which to build European cultural tourism routes in the next 7 years: chocolate,

jewelry and perfume. The perfume sector is characterized by frequent launches of new lines (of which roughly 500 per year occur in men's fragrances alone) capable of generating much of a company's time and investment and producing most of its profits. Most of the industry's energy is geared toward creating and launching new proposals in a continuous cycle, with significant effort spent on advertising and communication. The fragrance market is thus presented as highly reactive, straining endlessly to create new "experiences" and products, often through the use of replication and repackaged formats.

The first case selected was *The Merchant of Venice* by Mavive S.p.A. The time data were collected, the company, in partnership with the Fondazione Musei Civici di Venezia, was cooperating to establish the perfume section in the Museo Palazzo Mocenigo while also developing a line of fragrances inspired by Mavive's historic and technical research into the ancient tradition of Venetian *perfume art*. This case study was conducted over the course of more than 1 year, with researchers having access to managerial and operational processes, mainly in the company's headquarters, in its renovated Venetian historical stores, and in the museum with which Mavive collaborates. Besides participant observation (on average 3 days per week) other data sources were used: interviews, documents, websites, etc.

After roughly half a year, the first evidence led us to consider three strategic levels of action: (a) the product (the value proposition); (b) the distribution and management of retail outlets; and (c) the company's organization and participation in cultural projects and events. While completing the study of the first case, we began our comparative study of other cases.

The cases investigated were chosen according to the high quality of their products, their orientation toward niche markets, and the capacity of their producers to recognize cultural activities as strategic tools for their development and advancement. The selected cases included the *Collection Imperial* by Rancè (Milan), the *Scents of New York* thematic line by Bond n°9 (New York), Durance's and Galimard's lines based on traditional Grignan and Grasse recipes (France), and the master perfumery collection by Molinard (Grasse). All of these companies have been particularly successful in focusing their products' concepts on the historical or contemporary *leitmotif* of their respective territories and are now active in several cultural activities. For these brands, data were collected from different sources, including analyzing a total of 24.50 h of recorded interviews, the companies' respective websites and social media, their advertising campaigns and press reviews, and from direct experience of the products, flagship stores, exhibition stands, and cultural activities of the firms involved (except Bond n°9 as regards direct experience). The interviews were conducted, first, in an anecdotal way, where managers freely discussed their cultural and commercial strategies, and were later followed by a structured interview, where managers were led to analyze the actions and activities linked to the three previously identified strategic levels of action, including their connections and their impact.



## 4 Findings

The following section proposes a comparison of the cases studied, giving an overview of the primary evidence that emerged (see Table 1).

Companies make use of different strategies to infuse their products with symbolic and cultural meaning. *Mavive*, for example, has focused its recent commercial strategy on the launch of a new brand, *The Merchant of Venice*, a luxury line that offers an assortment of exclusive *Eau de Parfum* and *Eau de Toilette*, along with body care and household products and accessories. The brand draws attention to the timeless role of Venice in the history of the art of perfume making. The line is inspired by the ancient Venetian maritime trade routes that covered an expansive area from Asia to Africa and from Europe as far as the northern seas. The “olfactory concept” of each *Eau de Parfum* is inspired by the raw material and aromas of one of the specific maritime trades. The identity of each product is also enhanced by the integration of one of the most representative and ancient arts in the history of Venice—Murano glass production—used by the company as inspiration for the packaging of its precious *eau de parfum*.<sup>1</sup> Other elements testify to and signal the place of the product’s origin, from the Burano lace that closes the bottle, the iconography of the bottle itself (specific signs and details chosen as decoration), and the color tones of the packaging. These symbolic elements, embodying the knowledge and achievements typical of Venetian history, clearly communicate the image of Venice in its age of maximum beauty and imperial grandeur.

*Rancè*, a company founded in France in 1795 and today completely Italian (based in Milan), created a line of perfumes—the *Collection Imperial*—inspired by members of Napoleon Bonaparte’s family. A member of that family, Françoise Rancè, founded the *maison*, serving as official “royal warrant” and trusted master perfumer. Today, 220 years later, the new generation leading the company insists on the cultural value of the product’s ancestry, connecting that value to an historical, rather than territorial, source. Each *Eau de Parfume* is modeled on a female member of one of the most studied and celebrated families in history. The olfactory concept underlying the construction of fragrances evokes the personalities of these historical figures: “*Let’s sniff Elise*,” says the manager of the international trade department; “*Elise was the younger sister of Napoleon, and this is a scent that smells extremely actual: it talks about an independent woman, courageous, certain of what she wants from her life, as did Elise. [ . . . ] This other, Hortense, is instead a perfume which describes an intelligent woman, intellectual, as the other Napoleon’s sister. [ . . . ] these all are very important values in the world today, they provide guidance in contemporary times.*” With this strategy, the firm focuses particularly

---

<sup>1</sup>Unfortunately, Murano glass cannot be used for perfume bottles due to functional reasons. Mavive has thus invested heavily in research to patent a method of glass processing able to replicate the beauty of Murano glass while at the same time being practical for use as a container for perfume.

**Table 1** Three levels of strategy action: synthesis

|   | Mavive | Rance' | Molinar | Galimard | Durance | Bond N°9 |
|---|--------|--------|---------|----------|---------|----------|
| <i>First level—product/concept</i>  |        |        |         |          |         |          |
| Ancient/traditional recipes of the territory; elements of the territorial brand   | ***    | ***    | **      | **       | ***     | **       |
| Connections to past historical events and characters  | **     | ***    | *       | —        | —       | —        |
| Intrinsic cultural features of product design (materials, shapes, colors, textures, images and iconographies)   | ***    | **     | *       | *        | *       | **       |
| Extrinsic cultural features of product design (such as verbal references to culture, history, heritage, local traditions)                                 | **     | **     | **      | *        | **      | *        |
| <i>Second level—distribution and management of retail outlets</i>   |        |        |         |          |         |          |
| Monobrand dedicated points of sale located in historical or artistic neighborhood of the city of origin   | ***    | *      | *       | *        | *       | ***      |
| Monobrand dedicated points of sale located in historical or artistic neighborhood of other cities   | *      | —      | —       | —        | —       | —        |
| Explicit references to a specific cultural/artistic heritage (images, videos and photos of castles, heritage sites, presence of artworks in the showroom) | ***    | ***    | *       | *        | ***     | ***      |
| Implicit references to a specific cultural/artistic heritage (decor, iconographies, materials and furnitures used)  | ***    | **     | **      | *        | *       | ***      |
| Creation of a cultural/creative/artistic atmosphere through sensoriality (light, sounds, smell, touch, rituals)   | **     | **     | —       | —        | —       | **       |
| Agreements with museums, bookshops  | yes    | yes    | no      | no       | no      | no       |
| <i>Third level—cultural projects and events</i>   |        |        |         |          |         |          |
| Museum/exhibition in the old factories  | no     | yes    | yes     | yes      | yes     | no       |

(continued)

**Table 1** (continued)

|  | Mavive | Rancè' | Molinard | Galimard | Durance | Bond N°9 |
|--|--------|--------|----------|----------|---------|----------|
| Museum/exhibition in cooperation with public cultural institutions   | yes    | yes    | no       | no       | no      | no       |
| Professionalism, complexity and accuracy of the narrative paths  | ***    | **     | *        | *        | *       | —        |
| Cooperation with other local cultural activities and institutions, such as theatres, festivals, etc. (beyond mere sponsorship) | ***    | ***    | —        | —        | **      | **       |
| Educational and creative laboratories directly managed   | yes    | yes    | yes      | yes      | no      | no       |
| Support to research and publishing   | *      | *      | —        | —        | **      | *        |

Key: Intensity from — to \*\*\*

on the conceptual elements of the product, evoking both a history connected to the company's origins and offering an olfactory bouquet for the Bonaparte women based on the ancient formulation invented by Françoise Rancè. The product has been renewed in a contemporary and innovative way, thanks to the regeneration of the original formula. In comparison with the case of *The Merchant of Venice*, Rancè devotes less attention to elements such as the shape, color, packaging, and iconography of the bottle itself.

*Bond No. 9* offers a perfume line, *Scents of New York*, that bases each fragrance in the collection on a particular neighborhood of New York city: "More than selling a perfume," says the international trainer of the company, "it is similar to selling a piece of New York city, with its neighborhoods so colorful and scented, different from each other. The city has many souls; each neighborhood is distinguished by a different character, and a different set of odors in the fragrances. One of the goals of our line is to be able to capture the souls of neighborhoods, marking a kind of olfactory footprint, and describing their specific characters and imaginary." *Bond No. 9's* collection, therefore, offers strong cultural characteristics: not only does the name of the line express the link with the different cultures of the city very clearly, but also the name of the company itself, referring to its headquarters in Soho, openly celebrates the incorporation of cultural qualities. The conceptual element is clear: in this case, the company focuses on the relationship with the urban landscape and the contemporary cultures of various urban districts rather than on the city's past.

Molinard focuses on the co-existence of a luxury line dedicated to the artistic perfumery tradition of the floral district and high-end products such as soap and lotions crafted along the lines of traditional cultivation. For Durance and Galimard, on the other hand, importance is given to the enhancement of the perfumery

traditions of the territory, without the presence of a strong reference point (such as a line or a single product provided with intensive cultural/artistic features).

Evidence suggests that, with regard to the first level, strategies are formed through the process of attributing cultural meanings connected to the arts, identity, history, and traditions of a particular area or community to the value proposition. These processes depend strongly on the ability to translate and communicate the product's meanings in a rich, innovative and evocative way. The "essence" of the place of origin, as well as the artistic and historical content, can be embedded in the product and be conveyed through: (a) the conceptual (the meanings on which the product is based and developed); (b) the intrinsic (factors that deal with the sensory and physical aspects of the product such as materials, shapes, colors, texture, weight and dimensions—Amoruso 2010) or; (c) the extrinsic (mainly verbal, such as the product name and the information, instructions, and/or stories included on the product's packaging).

All the companies considered in this study adopt a multi-channel distribution, each with a clear tendency toward identifying symbolic locations for their selling points. Some decide to distribute perfume mainly in museums and/or with stores located in sites of historical importance. *Durance*, *Molinard* and *Galimard*, for example—companies whose product concepts are based on the use of recipes and traditional herbs from their respective territories of origin—built their flagship stores in their own renovated nineteenth-century factories. *Rancè* has an agreement with a major circuit of national museums and castles in France, creating a direct connection between historical heritage and their product line. In this way, *Rancè* perfumes become almost part of a visit to one of France's museums. Other companies decided to strengthen their products' cultural meanings by locating their stores in historical or artistic cities and neighborhoods. *Mavive*, for example, capitalized on its Venetian location by situating their flagship stores in renovated apothecary shops of the seventeenth and eighteenth centuries, characterizing their direct points-of-sale through monumentality, specific aesthetic properties, and plenty of control. The flagship stores of *Bond n° 9* are located in the West Village and Midtown Manhattan, recalling the Pop Art movement that unfolded in these areas. The location and interior design and furniture of these points of sale recall the opening of Claes Oldenburg's designer boutique "The Store" and Andy Warhol's studio the "Factory" roughly 50 years earlier not far from their current location. Spacious, colorful, and modeled after Manhattan's typically elongated interiors, the retail format of *Bond n° 9* welcomes the buyer into a space full of an energetic, dynamic mix of shapes and colors, which are also reflected on the perfume bottles. *Mavive* decided to situate their flagship stores in historic and renovated apothecary shops of the 1600s and 1700s. These direct points of sale are characterized by monumentality, plenty of control, and specific aesthetic qualities, given the historical nature of the spaces.

With regard to the second level, the choice of distribution channels and locations creates a vector for the enhancement of brands and products and their cultural identities. Points of sale located in historical cities and sites and various selling environments, such as flagship stores, showrooms, or special brand corners, are

aimed at creating appropriate contexts for the experience of the product's "culture." These contexts also relate to the ability to manage the layout and atmosphere of the places of sale. Of importance in this regard are various sensory elements such as decor, color, furnishing, light design, and smell, as well as the verbal competencies of salespeople, who can be more or less trained in the appropriate narrative that can be captured on videos and panels as direct messages to the customer.

The companies' participation in cultural projects and events is multifaceted. Almost all of the companies included in this study choose to engage in cultural activities, not only in terms of product development and marketing, but also—and often explicitly—in order to enhance the visibility of their own processes and commercial territory, thereby preserving their respective cultural associations. (*Mavive*, *Durance* and *Molinard*, for example, openly declared this intention.) *Mavive* organizes various cultural activities and engages in very different cultural enterprises, the first of which was the creation of a Perfume Museum in collaboration with the Municipal Museums Foundation of the city of Venice. The museum—which actively contributes to the preservation and regeneration of a specific cultural heritage, both tangible and intangible—presents the history of perfume in Venice in an interactive way, by creating numerous sensory stations, reconstructing a replica of an historic perfume laboratory, and exhibiting valuable artifacts such as ancient books and bottles. The company is also strongly committed to enhancing the vitality of this museum by organizing workshops, family games, seminars and conferences that continuously attract new audiences.

*Durance*, a French firm founded beside the Castle of Grignan, not only restored and turned the old factory into a museum, but also decided to participate in the *Festival de la Correspondence* held in Grignan: "We decided to collaborate because Grignan is a small municipality, which has only two excellences: Madame de Sevigner, and the fact that it was the historic theater for the growing of fragrant flowers and herbs, which over the centuries has given rise to various activities of artistic perfumery," says the sales manager, stressing the company's strong bond with its territory of origin and its traditions.

*Galimard* and *Molinard* decided to restore their original factories and open private museums. In addition to these cultural structures, both companies undertook corporate cultural activities to promote educational activities. Working with tourist information points, each created private "Ateliers des Parfumes" in which tourists and curious visitors can learn the art of perfume making by master perfumers. Now priced services in their own right, these activities have become true, self-sustaining business units that can generate economic value for both companies: "First of all, these cultural activities are important for the image of the brand," says the coordinator of cultural activities and of *Molinard's* Atelier Des Parfums; "it means providing a full service: not only to propose the perfumes, but also explain how they are made through a pedagogical approach [...] The "cultural" in our products is the territory. We are the only company of Grasse which has been recognized by the government as 'patrimoine vivant.'"

*Rancè's* commitment to cultural engagement is focused on the management of the family's archive and a small private company museum it makes available by

reservation only. These cultural activities rise to the level of important business tools when buyers, new suppliers and new potential customers visit the company and witness the historical foundation on which the brand has established its cultural strategy. Moreover, for the bicentennial celebration of the death of Joséphine Bonaparte, Rancè collaborated with the Castle of Rueil-Malmaison on events marked in the calendar of the year of celebration. The company's participation in the cycle of cultural events associated with Bonaparte, together with its participation in another round of events for the Imperial Jubilee on the island of Elba, produced, according to the manager, a strong quantitative and qualitative impact on the "image and reputation of the company, but especially on the sale of products in the Imperial Collection."

Bond N°9 is committed to financing and enhancing the famous New York Green Line, an expression of contemporary culture and urban life style.

With regard to the third level, cultural initiatives and projects seem to represent an opportunity to strengthen the cultural content of the brand and to better communicate the symbolic/aesthetic value of the product. These activities, all linked to the brand's core values, may concern promoting and organizing performing arts, organizing exhibitions and guided tours, publishing, or conducting workshops and laboratories open to customers. These initiatives can be carried out directly by the company (such as through the creation of corporate museums, which are strongly oriented to telling the story of the firm and its specific production processes) or held in collaboration with actors and organizations belonging to the world of arts and culture (such as museums, galleries, theaters, festivals, curators and artists).

## 5 Conclusions: Direction for Future Research

This initial empirical evidence leads us to conclude that *a product strongly characterized by a mix of symbolic features and imbued with cultural, utilitarian and functional values, depends on specific cultural actions to be communicated and sold*. All of the companies producing culture-based perfume interviewed for this study declare tangible commercial benefits from their promotion of the cultural aspects of their products, which they highlight by linking them to specific cultural elements in their stores and through their participation in cultural initiatives. We can also conclude that *the companies demonstrate the use of all the cultural and commercial strategies—at the three levels of action—outlined in this study*, even if they do so *to different degrees*. Every day, the companies increase their level of awareness concerning the role of cultural engagement, declaring their desire to continue their investment in the cultural field. While these elements appear to influence the strategies of these companies, other broader implications of the investigation are still deserving of attention. None of the managers interviewed, for example, raised the issue of the consumers' perception of the companies' participation in cultural activities or on the formats or impacts of the various distribution sites. Likewise, none of the companies claimed to be engaged in trying

to strengthen the connection between the three levels of action; instead, they seemed to conceive each as an independent strategy. In this regard, the companies' investment in cultural activities and awareness of specific cultural processes seem to have room to fully mature. Another issue for companies to address is redundancy. The desire of Rancè is to relieve its stores from their intrinsic historical elements for fear of over-emphasis: "communicating the cultural value of our brand and products is very important for us," says the manager, "but now we have the opposite problem: a heavy wealth of history, or perhaps an historical value recounted too vehemently, put at risk our product to be perceived like old-style. There is a perceptive risk, for us, in being culture-based: the historical and cultural element could dull the perception of the clients on the consumer product itself." Another important issue that emerges for companies relates to authenticity: "In the world of the perfumery niche, some try to force a cultural and historical identity they have not... if the past does not exist, it is better to focus on other things, not on fabrications and exaggerations," says the manager of Rancè.

This research is limited, as it has only treated a discrete number of cases; for future investigations, it will be important to increase both the size and the richness of the data. Methodologically, it will be valuable to interview a larger number of managers and coordinators in various capacities within a given company in order to collect more nuanced interpretations of the same phenomena.

Furthermore, the current study does not consider the online distribution and promotion of products, a dimension that deserves further investigation. The current research also focuses on a single sector (the perfume industry). Future research should expand the field to other areas and other culture-based products while, as noted, investigating consumer perceptions at the same time.

## References

- Amoruso, G. (2010). *La didattica del disegno nei corsi di laurea in design*. Milano: Maggioli Editore.
- Bertoli, G., & Resciniti, R. (Eds.). (2013). *International marketing and the country of origin effect*. Cheltenham: Edward Elgar.
- Bilkey, W. J., & Nes, E. (1982). Country-of-origin effects on product evaluations. *Journal of International Business Studies*, 13(1), 89–100.
- Candi, M., Beltagui, A., & Riedel, J. (2013). Innovation through experience staging: Motives and outcomes. *The Journal of Innovation Management*, 30(2), 279–297.
- Carù, A., & Cova, B. (2007). Consuming experiences. An introduction. In A. Carù & B. Cova (Eds.), *Consuming experience*. New York: Routledge.
- Checchinato, F., & Hu, L. (2013). Il ruolo del punto vendita per la costruzione dell'immagine di marca. In G. Aiello (Ed.), *Davanti agli occhi del cliente. Branding e retailing del made in Italy nel mondo* (pp. 89–93). Roma: Aracne Editrice.
- Cinti, T. (2007). *Musei e territorio. Le dinamiche relazionali nel cluster museale di Firenze*. Roma: Carocci.
- Comunian, R. (2009). Toward a new conceptual framework for business investments in the arts: Some examples from Italy. *The Journal of Arts Management, Law, and Society*, 39(3), 200–220.

- Darsø, L. (2005). International opportunities for artful learning. *Journal of Business Strategy*, 26 (5), 58–61.
- Dell’Era, C. (2010). Art for business: Creating competitive advantage through cultural projects. *Industry and Innovation*, 17(1), 71–89.
- Eroglu, S. A., Machleit, K. A., & Davis, L. M. (2003). Empirical testing of a model of online store atmospherics and shopper responses. *Journal of Psychology and Marketing*, 20(2), 139–150.
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research notes on the gioia methodology. *Organizational Research Methods*, 16, 15–31.
- Holbrook, M. B., & Hirschman, E. C. (1982). The experiential aspects of consumption: Consumer fantasies, feelings, and fun. *Journal of Consumer Research*, 9(September), 132–140.
- Kaynak, E., & Cavusgil, S. T. (1983). Consumer attitudes towards products of foreign origin: Do they vary across product classes? *International Journal of Advertising*, 2, 147–198.
- KEA. (2009). *The impact of culture on creativity*. [http://ec.europa.eu/culture/key-documents/doc/study\\_impact\\_cult\\_creativity\\_06\\_09.pdf](http://ec.europa.eu/culture/key-documents/doc/study_impact_cult_creativity_06_09.pdf)
- Liefeld, J. (1993). *Consumer knowledge and use of county-of-origin information at the point of purchase*. Working paper, University of Guelph, Ontario, Canada.
- Manniche, J., & Testa, S. (2010). Knowledge bases in worlds of production: The case of the food industry. *Industry and Innovation*, 17(3), 263–284.
- Moreno, Y. J., Santagata, W., & Tabassum, A. (2004, June 3–5). *Material cultural heritage, cultural diversity, and sustainable development*. ACEI, 13th International Conference on Cultural Economics, University of Illinois at Chicago Department of Economics, Chicago, IL.
- Papadopoulos, N., & Heslop, L. (2002). Country equity and country branding: Problems and prospects. *Journal of Brand Management*, 9, 294–314.
- Porter, M. E., & Kramer, M. R. (2011, January–February). Creating shared value. *Harvard Business Review*, 62–77.
- Schnugg, C. (2014). The organisation as artist’s palette: Arts-based interventions. *Journal of Business Strategy*, 35(5), 31–37.
- Sedita, S. R. (2009). La geografia della creatività: cluster e oltre. In S. R. Sedita & M. Paiola (Eds.), *Il management della creatività. Reti, comunità e territori*. Roma: Carocci.
- Tamma, M. (2010). Prodotti culturali e territori: l’immateriale che vive nella materialità. Sinergie, V.82, CUEIM, 27–46.
- UNCTAD. (2008). *The creative economy report*. [http://www.unctad.org/en/docs/ditc20082cer\\_en.pdf](http://www.unctad.org/en/docs/ditc20082cer_en.pdf)
- Verganti, R. (2008). Design, meanings, and radical innovation: A Metamodel and a research agenda. *The Journal of Innovation Management*, 25, 436–456.
- Vescovi, T. (2013). L’Italian Sound Branding e gli effetti sull’immagine del Made in Italy. In G. Aiello (Ed.), *Davanti agli occhi del cliente. Branding e retailing del made in Italy nel mondo* (pp. 97–110). Roma: Aracne Editrice.



# Entrepreneurial Behavior and Financing Structures in the German Creative Industries

## A Survey of Start-Ups and Young Growing Firms

Elmar D. Konrad

**Abstract** In Germany, the cultural and creative industries belong to the highest start-up and self-employment orientated sectors and are currently strongly characterized by new market entrants. The object of the chapter is to give a very detailed overview of finance behavior and financing structures of start-ups, in particular of young growth-oriented and established firms in creative industries, based on a very high sampled empirical data study in Germany. By linking the applied research areas of cultural entrepreneurship and start-up financing, it should also provide an understanding of entrepreneurial success in terms of individualized financing structure and its critical factors. Furthermore, in this context, an extended base model can be developed to substantiate theoretical frameworks for the identification and evaluation of factors supporting the success of the financial structures of start-ups within the cultural and creative industries. The discussion of the results will be integrated into concrete implications and recommendations for activities or guidelines for cultural entrepreneurs and financing actors and for a regulatory policy to promote the cultural and creative industry sector.

**Keywords** Cultural and creative entrepreneurs • Lecturers for business planning in arts and creative sector • Foundation consultants and actors of regional economic policy

## 1 Introducing the Issue

The cultural and creative industries became a field of scientific interest in the last 15 years in Europe especially in Germany (Fesel and Söndermann 2007). Therefore the economic and business-management research is relatively new and is primarily driven by institutions (Flew and Cunningham 2010). Qualitative and quantitative research has been in this context conducted in addition to numerous conference

---

E.D. Konrad (✉)

Hochschule Mainz, Institut für unternehmerisches Handeln, Mainz, Germany

e-mail: [elmar.konrad@hs-mainz.de](mailto:elmar.konrad@hs-mainz.de)

© Springer International Publishing AG 2018

E. Innerhofer et al. (eds.), *Entrepreneurship in Culture and Creative Industries*,

FGF Studies in Small Business and Entrepreneurship,

DOI 10.1007/978-3-319-65506-2\_3

papers, discussion papers and country reports (United Nations 2010; European Commission 2012). Especially the German research about the creative industries has the focus on the national and regional economy. A great many of regional science articles refer to definitional and economic issues and here particularly based on established companies in the eleven branches of the cultural and creative industries (Fesel and Söndermann 2007). Research on the funding issue, considering the specific characteristics of enterprises of the cultural and creative industries on the one side and cultural and creative entrepreneurs on the other side, is especially scarce but more and more on the scientific agenda (Hausmann and Heinze 2014). In addition, data and research results on specific factors of critical resources in business and managerial research is missing, especially in entrepreneurial research such as financial means within the formation and post-formation phase (Denis 2004). But in comparison to other economic sectors it is precisely that just these areas in the creative industries have been incurred differences. Especially regarding to industry branches, local and specific individual characteristics the contributinal input to already existing financial theories are therefore lacking (Kebir and Crevoisier 2008). That means in consequence there is an underfunding, which evokes founding barriers as well as obstacles to growth (Myers and Majluf 1984).

## 2 Theoretical Framework and Literature Review

### 2.1 *Characteristics of the Cultural and Creative Industries*

The cultural and creative industry is subdivided per definition in eleven specialized sub-sectors. These eleven sub-branches are characterized by a very high level of fragmentation, heterogeneity and economic value-added division (Fraser and Lomax 2011). In Germany the cultural and creative industry (so-called “Kultur- und Kreativwirtschaft”) consists also of these eleven sub-sections according to the standard guidelines of the Minister of Economic Affairs State Conference of 2009 which are based on the Committee of Enquiry “Kultur in Deutschland” (Culture in Germany) of 2008 (Deutscher Bundestag 2007). Sometimes they include a twelfth sub-sector, which contains all not clear assignable and classifiable creative businesses (Söndermann et al. 2009).

After the Deutscher Bundestag (2007) these sub-sectors include preponderant profit-orientated enterprises, firms, businesses and freelancers which have their focus on the creation, production, distribution and medial extension of cultural or creative commodities or services.

The first nine sub-areas are related in the framework of these definitions to the branches of arts and cultural respectively arts trade (see Fig. 1). Accordingly, the sub-sectors 10 and 11 are dedicated the pure creative industries (see Gnad et al. 2016). All entrepreneurial activities in cultural and creative industries which can

|                        |   |                           |
|------------------------|---|---------------------------|
| 1. music industries    | 2. literature and book market               | 3. art market             |
| 4. film industry       | 5. radio and television broadcasting market | 6. performing arts market |
| 7. design market       | 8. market for architecture                  | 9. press market           |
| 10. advertising market | 11. software and games industry             | 12. others                |

**Fig. 1** The definitions of the 11 (respectively 12) sub-sectors in the cultural and creative industries at the German federal and Federal State levels (after Söndermann et al. 2009)

not be classified or clear dedicated to one of the sub-sectors are combined in sub-sector 12. Founding actors in the cultural and creative industries in Germany, compared to other economic sectors, are younger, more likely to be university graduates, are mainly found in the field of freelancing or self-employment and predominantly begin their professions as single start-ups (Lange 2014).

## 2.2 Aspects of Entrepreneurial Financial

Substantial contributions to capital or financial structure generally go back to considerations of big national companies or international trusts (Rajan and Zingales 1995). Barriers and constraints in corporate financing may moreover arise out of asymmetries of information. Also moral hazard as well as resulting transaction costs and diversified taxes have there to be an influence. These major factors affect the utilization—the agency view—and the acquisition—the principal view—of capital (Shyam-Sunder and Myers 1999). A fundamental approach in this context the Pecking-Order Theory by Myers and Majluf (1984) can be mentioned here. To acquire formal and informal funds is the mainly aim of the entrepreneurial actors after their internal financing considering to minimize the risks and costs inside the financing structure (Sanyal and Mann 2010).

The specific and systemic risk decrease the more aligned the diversification of funding mix of internal and external financing of the entrepreneurial activities and business (Bekaert and Hodrick 2009). From the agency point of view for the start-up financing a lack of business know-how, inadequate relationships with potential and real financiers as well as deficits in management qualifications the information asymmetries influence a diversified and therefore broader financing structure (Nofsinger and Wang 2011). An asymmetry of information increases the underfunding probability even of non-funding due to the lack of resources (Binks and Ennew 1996). Entrepreneurial posture, market-oriented orientation, certain degree of risk affinity and proactive behavior avoid information asymmetries theoretically (Chaston and Sadler-Smith 2012).