Why the Creative Class is Relevant to Entrepreneurship

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"We are living in the eye of the storm, a period of life altering creative destruction as a new economic order and a new way of life emerges from the old." (Florida, 2014 – p62)

Abstract

Entrepreneurship has become a legitimate approach to stimulating economic growth and development. Over last few decades from the invention of the PC through the dot.com boom-and-bust of the 1990s to nearly universal digitalization, worldwide Internet expansion, and the smart phone, entrepreneurs have proven their value in bringing new products to markets via the creation of new ventures. Unfortunately, only 7% of entrepreneurs are major contributors to the creation of new products and markets. The sustainability as well as growth of markets and economies requires a greater contribution from entrepreneurs. To help solve the growing economic gap including the rapidly shrinking middle class, this article proposes a synergy between entrepreneurship and the emerging Creative Class; clusters of highly talented and mostly college-educated young professional who work in the creative industries. This proposal contrasts with the Industrial-Age perspective where major corporations were the principal source for invention and market innovation. Few would disagree that today's major corporations have changed to be more nimble and responsive to markets and the public but more is need as markets and economics experience some radical paradigm shifts. Scholars have recently confirmed the significant social, cultural, and economic impact of the Creative Class, but present urban planners devise separate strategies to stimulate Creative Class and entrepreneurship. This article proposes a strategy to include both types of social, cultural, and economic participants.

Key Words: entrepreneur, entrepreneurship, creative class, creative economy, urban planning, public policy, industrial ages.

1. Introduction

The Creative Class has a simple beginning but a long history. The Creative Class was identified about fifteen years ago by Richard Florida, an economist, and reported in his book titled, ***The Creative Class***, in August 2000. The book describes unique clusters of highly talented and

mostly college-educated young professionals who work in the creative industries from the arts and science to accounting and law. These unique clusters of creative people existed well before Florida discovered them, but his discovery also included attaching several pertinent economic attributes to the clusters that were not previously elucidated. Florida considered the Creative Class to be a new social class and ascribed the following attributes to this new social class: diversity, innovation, livability, sustainability, and economic growth. Similarly, John Howkins also recognizes the value of the Creative class:

> Nobody has idea in a vacuum, so I describe a *Creative Ecology* and its four factors of change, diversity, learning and adaptation. . . . These elements come together in the core markets of art, culture, design, media and innovation which I call *heartlands* of the creative economy. I describe how these markets operate, their business models and value chains and give market revenues. (Howkins, 2013, p xi)

Creativity is the core of this new social class and creativity is what makes this class such a dynamic resource for economic growth as Florida considers creativity to be a limitless resource. The lead members of the Creative Class include artists, cultural creatives, students, and professionals. Howkins has a similar perspective of the Creative Class: "Creative people have a voracious appetite to know what is new and interesting, and the best way to do this is to work together. I show how cities provide hot-house cluster for creativity and how the move from the factory-sized production lines to brain-size thinking is changing the city's mood." (Howkins, 2013, p xi)

According to Wyszomirski and Goldberg-Miller (2015), since more than half of the world's population now resides in cities, it is important to understand some of the context within which both entrepreneurship and the creative economy function. The creative economy can contribute to the life of cities in an economic and public good context. According to Markusen and Schrock (2006), the variety of actors within the creative sector, including nonprofit cultural organizations, businesses, and those who comprise the demand side of this sector provide a wealth of options that have a wide impact on other sectors as well. Mulcahey (2000) posits that policymakers often turn to the members of this creative class when they are proposing policy interventions integrating arts and culture, which illustrates the important role played by members of this community in municipal programs and projects.

Many economic development departments in cities today reach for creative economy interventions, such as those used in a variety of creative place making strategies—public art, cultural districts, and anchor cultural institutions to name a few. This focus on creative options is used by cities as they seek to attract and retain residents, bring in visitors and tourists, and inspire businesses to relocate to their urban centers. Clearly, many of the same concerns entrepreneurship proponents apply to seeking to foster those the creative class and its outputs. As tech-savvy workers, residents, and visitors explore creative offerings in cities in which they are

living or to which they are contemplating a move, city planners and other municipal stakeholders often seize upon options made available by the creative class with which to entice these stakeholders (Wyszomirski and Goldberg-Miller, 2015).

The Creative Class is portrayed as the nexus of a dynamic social and economic milieu as shown in the following diagram as many societal elements seem to orbit around the Creative Class.

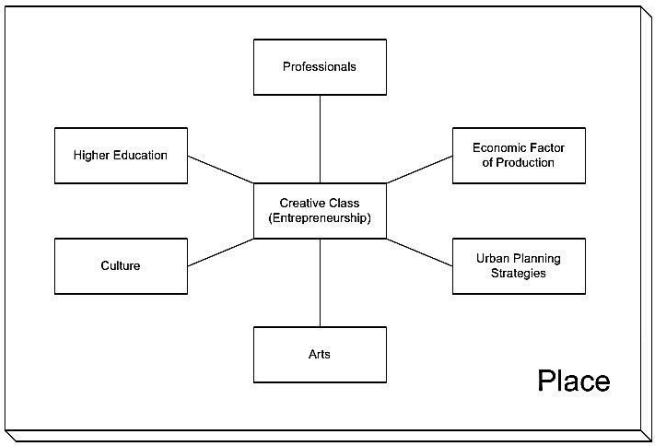

Diagram #1

What makes Florida's portrayal of the Creative Class so compelling is that he describes our present time as the Creative Age, the age of new products via conceptualization as opposed to the four preceding ages: Industrial Age created new forms of materials, physical items; Organization Age created new structures for work and leisure; Knowledge Age saw the explosive creation of new information and knowledge; and Digital Age brought new forms of communications and relationships (Florida, p 6, 2014).

Technology is the engine driving us into each new age. Broadening the perspective to the early 1800s when society was dominated by the Agriculture Age provides a more compelling argument for the path that technology and other key events and social organizations have forged for economic development. Diagram #2 is an abbreviated overview of distinctive "ages" since the early 1800s.

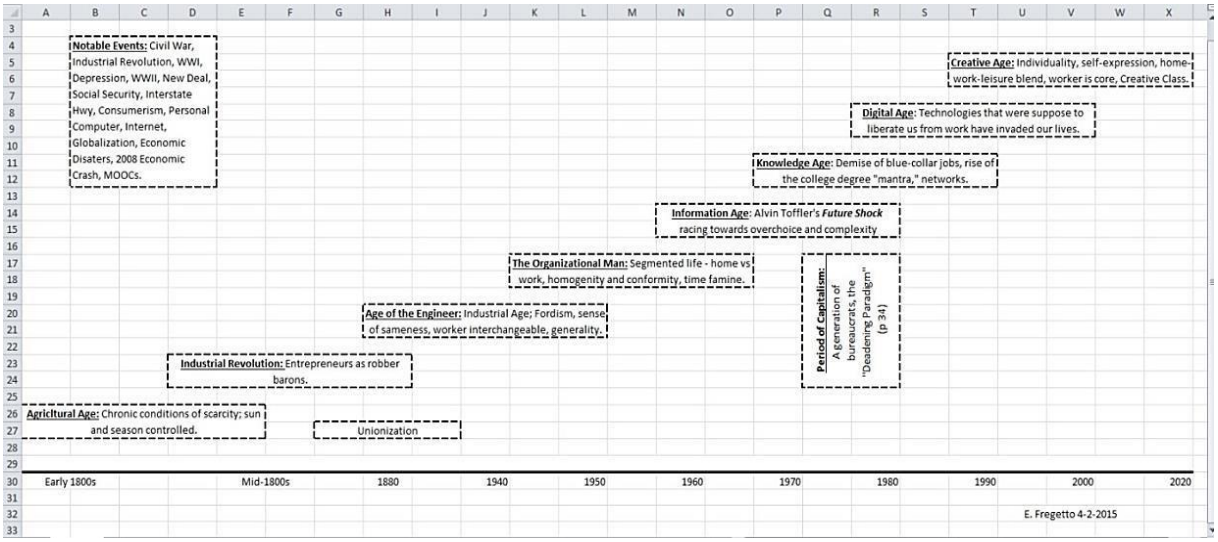

Diagram #2

Wyszomirski and Goldberg-Miller (2015) asked the creative-class concept has spread globally and provided an answer: Why has this concept caught on globally among stakeholders in cities today? The creative-class concept and the integration of creative options in the municipal policy toolkits of cities throughout the world can be understood by looking at the concept of policy migration, and the way that ideas travel globally. In this information age, the perfect opportunity existed for a rapid and thorough dissemination of the idea of the "creative class" and it's inherent possibilities and opportunities. McCann (2013) tells us that a plethora of urban policies are presented by what he calls, "policy boosters"—actors who utilize current trends to brand their cities in the most up-to- date ways. This is reflected in the way that cities want to be known as "green", "tech-savvy", or, in the case of Austin, "weird". Urban brand ambassadors conduct extensive research looking at successful cities, and how they recognize, refine, and tout their brand differentiators. The creative cities movement offered a ready-made way for an urban area to refocus and brand itself. What city does not think of itself as creative? Both formal and informal structures, such as business improvement districts, city councils, economic development departments, and community-based groups can take advantage of creative class interventions. Trends such as new urbanism, global networking, creative place making, and sustainability studies all offer opportunities to insert the creative class into policy solutions. Workforce development, social inclusion, cultural equity and sustainability all are topics that can involve creative cities options. This makes the movement one that is relevant to a wide range of urban actors, resulting in the runaway worldwide popularity of the creative class concept (Wyszomirski and Goldberg-Miller, 2015).

The intriguing question today is whether the Creative Class will be the primary source of tomorrow's entrepreneurs and industrialists and whether the Creative Class will be able to use the limitless information and knowledge made easily accessible by today's digital technologies

to conceptualize and build a more livable and sustainable society for a population that is taxing the limits of earth's natural resources. A key constraint in evaluating the efficacy of the creative class is its ability to foster inclusion and sustainability. Who is included in the creative class movement? Who is left out? A concern within this popular area of focus is the communities on the margin of the creative city. This includes the poor, artists outside of the status quo, smaller cities, in the gay and lesbian population according to Wyszomirski and Goldberg-Miller (2015). Since the creative class concept has traveled globally, become somewhat institutionalized, and gained in popularity, it is time for a re-examination of opportunities and challenges to its popularity. Fostering the recognition of communities that may be displaced through creative economy interventions, together with an examination of the sustainability of opportunities to build creative endeavors and employ cultural workers is a necessary next step.

The one thing we do know is that more of the same will not work to bring equal value to all people. The present "crisis of value" is best stated by David Ranney (2014):

> People all over the world . . . have a claim on the value generated by the system as a whole no matter what their economic circumstances . . . . "Crisis of value:" . . . (is) . . . where claims on value exceed the amount of value the system as a whole can generate. . . . For the capitalist system, the only way out of this is to destroy some of these claims and change the way capitalism functions. (Ranney, 2014, pgs 7-9)

His comments regarding the capitalist system also suggest the importance of the Creative Class in building a better and sustainable society:

> In a capitalist system, education, job training, and investment in machines are driven by the need to raise productivity rather than the quality of life of the workers. Labor in such a system has one function: to produce as much value possible in the shortest period of time, and that negates its function as a meaningful and creative process that enhances the development of the worker. (p 228) . . . society and its associated human nature cannot be bound by the capitalist law of value, where production rather than human development is the goal. (p231) (Ranney, 2014)

Pushing the limits of efficiency of industrial age methods is not a long-term solution. The answer provided by the Creative Class is to focus on people as people are the fundamental source of creativity:

> Members of the Creative Class, the great emerging class of our time who uses the full scope of cognitive and social skills: artists, engineers, musicians, computer

> scientists, writers, entrepreneurs – a common ethos that values . . . creativity, individuality, difference merit versus homogeneity, conformity, and fitting in. (Florida, 2014, p 8-9)

The essence of Florida's portrayal of the Creative Class' means of production is illustrated in Diagram #3:

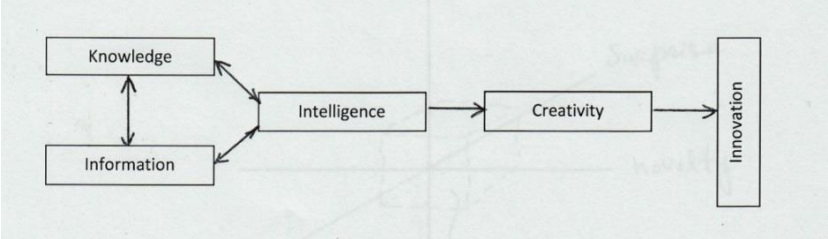

Diagram #3 (Creative Class' Means of Production)

> The basic economic resources – 'the means of production,' to use the economist's term, is no longer capital, nor natural resources . . . nor 'labor.' It is and will be knowledge," he wrote. Yet rather than knowledge, I see creativity – the faculty that enables us to derive useful new forms from knowledge – and the key driver to today's economy. In my formulation, knowledge and information are merely the tools and the materials of creativity. Innovation, whether in the form of a new technological artifact or a new business models or method, is its product. (Florida, 2014, p 29-30)

In order to understand the shift being created by the Creative Class that these scholars are describing, the following table summarizes the difference between the industrial economy and the creative economy:

Industrial Economy ***versus*** Creative Economy		
	Industrial Economy	Creative Economy
Resources	• Land • Labor • Capital • Entrepreneurial Skills	• Information • Knowledge • Spatial Arrangements • Entrepreneurial Skills
Organizational Perspective	Power and authority distributed via an organizational chart to maximize the output/input ratio	The collection of human objectives, expectations, and obligations managed by a structure of roles filled by humans (*)
Decisions	Resources place limits on decision making	Resources feed on themselves to create more resources for decision making (*)
Resource Relationships	Land, Labor, and capital have a fixed relationship ratio while entrepreneurial skills contribute growth	Information, knowledge, and spatial arrangements have no fixed relationship ratio, and entrepreneurial skills contribute growth
Innovation	Uniformity via mass production is the lowest cost goal of innovation	Product variation and diversity will cost the same as uniformity (*)

Diagram
#4

(*) Concepts adapted from the book ***Future Shock*** by Alvin Toffler.

2. The Creative Economy: A Fad or Shift?

A natural question to ask is whether the Creative Class and its Creative Economy are simply a fad rather than a shift. A similar claim regarding a shift to a new economy was made during the late 1990s as the result of the explosive growth of the Internet that saw an over-abundance of dot.com companies creating wealth excessively beyond book value. At that time, few doubted the enormous value of the dot.com companies and continued to invest while ignoring fundamental financial and economic principles as nearly all investors wanted to be on the "money train" before it left the station. Unfortunately for those investors, when the bubble burst, departing the train was too late for the herd of investors who gambled on the promise of future fortunes while ignoring the underlying principles of value. Is the Creative Economy just another version of the dot.com spin? Or, is the Creative Class and its Creative Economy an emerging movement that will transform social, political, and economic life?

This is a difficult question to answer so early in the discussion of the Creative Class. However, some meaningful insights can be acquired from another scholar independent of those already quoted above. In 2006, Kevin McDonald published a book titled: ***Global Movements***. This scholar, independent of others, provides some insights into the

transformation naturally occurring under the rumble of everyday events that generally goes unnoticed. One transformation identified by McDonald is the emergence of global movements:

> Emerging global movements confront us with transformations in action and culture that demand a radical paradigm shift, pushing us beyond rehearsing largely familiar debates. In so doing, they confront us with the challenge of rethinking the way we understand globalization. (McDonald, 2006, p 4)

What are some of the radical paradigm shifts?

(1) Networks: "Networks dissolve centers and disorganize hierarchy, making the exercise of hierarchical power increasingly impossible." (p 11)
(2) Technology: ". . . technologies increasingly are the media through which social relationships are constructed." (p 10)
(3) Public Spaces: ". . . emergence of new types of public space . . . experiences and subjectivities, and the increasing importance of practices constructed in terms of autonomy, embodiment, and subjectivity." (p 16)
(4) Uncontrolled Change: ". . . in a world of permanent and uncontrolled change, there is no other basis of support (for action) than the individuals' effort to transform lived experiences into the construction of a self as an actor. . .subjectivity constitutes the core of contemporary social conflicts." (p 33)
(5) Information Society: ". . . in an information society, the power of action does not come from the physical mass and presence of the number of people mobilized, but through their ability to challenge codes or to change how experiences are named and perceived." (p 52)
(6) Individuality: ". . .making each worker interchangeable . . . produce "generality," a power sense of sameness that was a critical dimension to the solidarity and class-consciousness that formed the labor movement. Today's emerging network paradigm no longer produces generality, but rather individuality, . . .individuals are becoming the core of what once would have been called social structure." (p 33)
(7) Tipping Points: "When we think about social life in terms of fluid and flows . . . change is not linear but shaped by "tipping points." . . . The patterns of change here are not expressions of an evolutionary logic that can be mapped out and projected out into the future, but take the form of complex systems reorganizing themselves in ways that cannot be predicted." (p 9)

In whole or part, all of the above shifts are visible in today's society. Social media is certainly creating networks not under the control of a hierarchical power and the emergence of individuality and subjectivity are gradually replacing the interchangeable worker and seeing the individual construct their own communities in a world of uncontrolled change. Are we at the end

of efficiency? Can we continue to produce more for less in order to provide quality of life for over nine billion people who will inhibit the earth in our life time? Or, will we need a new model of "production" that will vastly exceed outputs far exceeding inputs: A model of production that cannot be conceived within the parameters given to us from the Industrial Age. Who will bring that new model to market? Will it be the Creative Class and the entrepreneurs nurtured within the creativity and milieu of the Creative Economy? As McDonald states that themes begin to reoccur:

> . . . certain themes begin to reoccur: The shift from hierarchy to networks; the personalization of commitment; the move from long term to short term; the shift from organization to project; the critical importance of media, above all, television, for the mediatization of action; the shift from organization to event . . . it points to a shift in paradigm. (McDonald, 2006, p 70)

Unless another class appears on the horizon, the Creative Class is well positioned to take the lead as free agents and institutional entrepreneurs who will thrive in the Creative Economy. This is especially true as the urbanization trend is poised to continue, and together with the globalization of information provides the perfect jumping off point for the growth of this movement. As new paradigms for cities emerge, such as the integration of innovation and sustainability, creative entrepreneurs will become an even more integral part of these urban centers. Building and sustaining demand for creative output may follow the concern in the entrepreneurship field for this key area of business.

3. The Link Between Entrepreneurship and the Creative Class

What is the link between entrepreneurship and the Creative Class? Creativity is the principal linkage. Howkin's (2013) explanation of creativity includes the artist, the scientists, and three leading attributes of entrepreneurs: comfort with ambiguity, persistence, and experience.

> I use creativity to describe a process of using ideas to produce a new idea. . . . something from nothing . . . giving a new meaning to something. . . . Creativity leads to innovation as often as to art. Both artists and scientists us the same thinking process to image (to visualize) and describe (to represent) their view of reality. . . . Edward O. Wilson, one of the most distinguished scientists of the 20th century, defines creativity as 'the ability of the brain to generate novel scenarios and settle on the most effective.' He goes on to quote Nobel Laureate economist Herbert Simon: 'What chiefly characterizes creative thinking from more mundane forms are (i) willingness to accept vaguely defined statements and gradually structure them, (ii) continuing preoccupation with problems over a considerable period of time, and (iii) extensive background knowledge in relevant and

potentially relevant areas. ‘ Simon summarized these as daring, obsession and knowledge. (Howkins, 2013, p 4)

The link is creativity, invention, and innovation. All members of the Creative Class may not be entrepreneurs. Membership only requires a creative and inventive demeanor, but of which are pre-requisites to innovation, i.e., an entrepreneur bringing a new product to market.

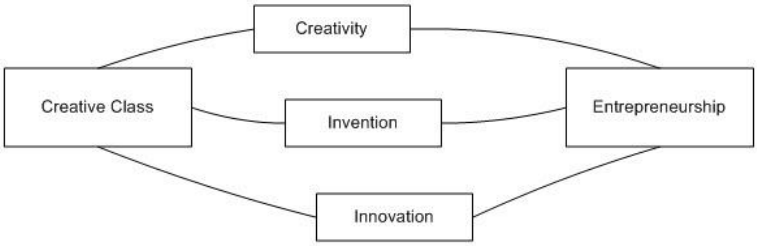

Diagram #5

From another perspective, the Creative Class can be viewed as a more fundamental phenomenon than entrepreneurship in the development of an economy as entry into the creative class could be a pre-requisite to high-growth and high-impact entrepreneurship as creativity and invention are pre-requisites to innovation, and entrepreneurship needs more high-growth, high-impact venture. What is different about creative class cultural entrepreneurs? According to Wyszomirski and Goldberg (2015), there is very little agreement in the field as to what would define arts/cultural entrepreneurship, as well as the best ways to teach this area of expertise. The differentiator that sets cultural entrepreneurs apart from traditional entrepreneurs would appear to be the focus on creative outputs. However, there are many points of similarity such as an environment of risk and uncertainty, the adaptation of smart practices using often-scarce resources, and the ability to be nimble in changing course and focus. Importantly, the idea of viewing cultural entrepreneurs and the creative economy as a subset of traditional entrepreneurship and just adding “creativity” is misguided. While members of the creative class may not identify as entrepreneurial, those within both the for-profit and nonprofit sectors often act entrepreneurial, and so can be accessed and educated to succeed in the same ways and using similar techniques as those of the traditional entrepreneurship field.

Generally, the public views entrepreneurship as sexy, high-growth, and technology-intensive venture as these are the start-ups that reporters like to write about (Shane, 2008). The truth, according to Shane’s research, is that only 7% of new companies are defined as high technology and only 3% of founders consider their businesses to be technologically sophisticated. What do the other 93% of entrepreneurs do? Shane’s research found that these entrepreneurs do the following:

- Most new businesses are . . . started in. . . pretty mundane, run-of-the-mill industries.
- Most entrepreneurs don't select the most profitable industries but instead pick industries with the highest firm failure rates.
- Entrepreneurs don't select industries because they are good for start-ups but rather because they know these industries and because it is easy to start a business in them.

From this perspective, valuable entrepreneurial talents and spirit are being wasted on "mundane subsectors of mainstream industries," because it is easy to start a business in them. How can more of this entrepreneurial talent and spirit be re-focused towards ventures delivering new solutions to societal problems? About 7% of start-ups are meeting this challenge. How can get another 7% or even 20% to use their entrepreneurial talents in a different way? The answer proposed at this time is to merge the emerging Creative Class and its Creative Economy thinking with entrepreneurship to form a dynamic engine for change. Part of this merger necessitates an examination of what each cluster can learn from the other. In order to foster a stronger integration, the key differentiators and areas of excellence within the creative and cultural entrepreneurship field, and that of business entrepreneurship must be identified.
Where should this merger occur? Higher education is the common denominator to both the Creative as an Class and to entrepreneurship. Some may still argue that higher education is not a pre-requisite to high-growth and high-impact entrepreneurship. In fact, a few may still strongly support the notion that entrepreneurs are born and not made. However, few can deny the notable and very successful ventures started and built by college-educated people, some of whom never finished college due to the success of their ventures. But it is still the university campus, the information, knowledge, diversity, and encouragement found on the university campus that has lead to the creation of a new products and subsequent venture. Current threats to the entire platform upon which higher education stands necessitate strategic forward thinking and innovative strategic planning. Fostering a culture in which innovation, creativity, and resiliency are core aspirations could provide an important focus with which to inspire the public and offer opportunities for the transformation of higher education. Recognizing that this threat to the embedded University culture can also serve as an opportunity, the creative class and its ties to entrepreneurship offer an opportunity for cohesion and global partnerships. Current programs that focus on the creative economy exist in growing numbers. Success stories, such as the unprecedented growth of Ryerson's cultural entrepreneurship program, which amassed nearly 600 majors in cultural entrepreneurship within the first two years of its inception, point to the growing interest within the Academy for programs like this.

There are still a few rags-to-riches stories that by-passed the university campus, but their numbers are small and their occurrence is random so any urban planning depending on rags-to-riches successes would surely be doomed for failure. Today, higher education, the university campus, remains the most effective path for urban development by combining the Creative Class

and the entrepreneurial talents and spirit that already residents on the majority of university campuses.

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