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# The Virtuous Circle Design Culture and Experimentation

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# Entrepreneurship in the Creative and Cultural Sector

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The aim of this paper is to present the general framework of entrepreneurship in the Creative and Cultural sector. Starting from the relevance of this sector in the European economy the paper wants to present the experience of an European Project focus on the creation of a general environment (a sort of ecosystem) able to support and to accelerate the creation of start-up companies in Creative and Cultural sector. Results of this experience are some tools and a replicable model of action called Creative Camp. It's a set of activities with the aim to support the innovation capacity of companies in the Creative and Cultural Sector. The Creative Camp methodology works on different elements that combined can support the creation of an enabling environment for the development of innovation projects generated by creative industries: scouting, qualification and workshop, mentoring and public presentation.

#### Keywords

Cultural and creative sector, Start-up, Mentoring, Creative camp, Innovation.

## ENTREPRENEURSHIP AND ECONOMIC GROWTH

In the *Theory of economic development* Schumpeter proposed that entrepreneurs starting new business provided to engine for economic growth (Schumpeter 1942). In recent years entrepreneurship has come to be perceived as the engine of economic and social development throughout the world. There are various ways in which entrepreneurship may affect economic growth: entrepreneurs may introduce important innovations by entering markets with new products, services or production processes and they also often pay vital roles in the early evolution of industries and sectors because they may enhance what consumers need (Baumol, Strom 2008).

European policies are driving States and Regions to support entrepreneurship using Structural Funds to finance growing priorities such as "promoting centers of competence; promoting clusters; developing ICT products and services; promoting entrepreneurship; developing new business models for SMEs in particular for internationalization; improving the urban environment; developing business incubators; supporting the physical and economic regeneration of urban and rural areas and communities"<sup>1</sup>. But numerous studies suggest that

<sup>&</sup>lt;sup>1</sup>http://ec.europa.eu/regional\_policy/sources/docoffic/official/communic/ smart\_growth/comm2010\_553\_en.pdf

young firms are fragile and the failure rate of business start-ups remains high over time (Roberts 1992). Recent studies suggest the existence of a significant positive relationship of intellectual capital with business performance. Intangible assets are important in management processes since they are considered to be a critical source of sustainable competitive advantage. Business start-up success can be partially explained by human, organizational and relational capital elements. Each of these factors deals with intangible elements such as skills of entrepreneurs, strategic decision-making, market adaption, networking ability and so on (Dollinger 2008).

### CREATIVITY AND ICT AS NEW INTANGIBLE ASSETS FOR ENTREPRENEURSHIP

Culture and creativity are increasingly important not only for their social rule, but because they are tools for the development of countries, they are strategic assets for the innovativeness and competitiveness at international level and they are the levers for the ability to create new companies, jobs and to generate growth and drive traditional economies in regression towards new area of innovation<sup>2</sup>.

However, the creation of new start up companies is not a guarantee of economic success. Starting a start-up, in fact, also requires considerable entrepreneurial skills, technological and communicative. New information and technologies and creativity (design, communication, culture, arts etc.) can help start-up industries to update their skills and their communication strategies according to the market requests of today<sup>3</sup>. They are certainly two important drivers that new entrepreneurs can use to generate disruptive innovation with new start up ideas. Social, economic and institutional scenario also suggests that innovation can be facilitated or induced through the use of an approach compatible with the evolution and complexity of these two drivers.

# THE ENTREPRENEURIAL DIMENSION OF CREATIVE AND CULTURAL INDUSTRIES

The cultural and creative industries offer the opportunity to bring essential change in non-technological innovation for products, services and process, contributing to a more inventive Europe.

In the definition of the Green Paper *Cultural and Creative industries* are "those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have".

<sup>&</sup>lt;sup>2</sup>Green Paper "Unlocking the potential of cultural and creative industries", European Commission (Bruxelles, 2010)

<sup>&</sup>lt;sup>3</sup>Horizon 2020 - Work Programme 2014-2015 - Information and Communication Technologies http://ec.europa.eu/research/participants/portal/doc/call/h2020/ common/1617606-part\_5\_i\_ict\_v2.0\_en.pdf

If we see the economic contribution of Creative and Cultural sector to GDP in EU Member States we understand the importance of this sector in terms of the support of the entrepreneurial dimension. Creative and Cultural industries have an important rule in the EU economy because this sector impact until the 4,5% to GDP and the 4% on the people occupied (8,5 million of workers). Europe is world leader in the export of creative industries products<sup>4</sup>.

Talking about entrepreneurship in creative and cultural sector it is important to understand the nature of this field of innovation. They frequently operate in specific market conditions, producing goods or services that are intrinsically "cultural" or "creative". They work around what Norman and Verganti called "Meaning Drive Innovation" (Norman, Verganti 2012). User needs, personal aspirations, motivation and abilities are the starting point and focus of the companies activities because entrepreneurs in this sector "starts from the comprehension of subtle and unspoken dynamics in socio-cultural models and results in radically new meanings and languages, often implying a change in socio cultural regimes" (Norman, Verganti, 2012).

Innovation in Creative and Cultural sector is almost never a technology drive innovation (it could sometimes include the use of existing technology in a new context of use). We are in presence of a typology of *incremental innovation* where small changes in a product, the introduction of new services, the design of new experience among ICT technology help to improve the user behavior and the social needs.

Companies in these sectors would to generate new value for market and users among new products or services, new experiences, new process, new events etc. To make this they are working in a new innovation dynamic system: they face the challenge of shifting their strategies from product design to new systems development (product, service and communication), in order to develop projects focused on user experience (Utterback, 2008).

# THE CREATION OF AN INNOVATIVE ENVIRONMENT TO SUPPORT ENTREPRENEURIAL INNOVATION IN CREATIVE AND CULTURAL SECTOR: THE CREATIVE CAMP MODEL

The creation of an innovative environment to support entrepreneurship in the Creative and Cultural industries is one of the aims for the Smart Specialization Strategies of most European Member States. In the framework of a European Project called Creative Companies in Alpine Space (CCAlps funded by the Alpine Space Program 2007-2013<sup>5</sup>) Regione Lombardia with Politecnico di Milano and

<sup>&</sup>lt;sup>4</sup>EU Press release IP/13/1114

<sup>&</sup>lt;sup>5</sup>CCAlps figures: 9 partners, 10 Regional Creative Camps, 6 Countries, 1 International Creative Camp, 4000 participants, 240 involved institutions, 600 creative industries involved, 3 International Events, 300 start-ups supported, 64 collaborative projects, 100 ideas selected (www.ccalp.eu)

Unioncamere Lombardia have been started in 2011 to work in this direction. One of the most important results of the activities developed has been the creation of an international model of activities able to create a favorable environment (a sort of ecosystem) for the start up of companies in Creative and Cultural Sector with an international perspective of work and innovation.

The project started with a research on perceived needs of creative companies and what emerged was a relevant difference between the needs of established creative industries and early stage start-ups<sup>6</sup>. The second has a wider spectrum of needs, and in particular they ask for targeted actions and targeted support services to respond to the lack of managerial skills and abilities (business models and business plans, access to forms of financing, effective communication, marketing strategies and distribution services, intellectual property protection and legal issues, equipped spaces, to develop their ideas and to exchange ideas and information with other professionals).

### WHAT IS A CREATIVE CAMP

Starting from the analysis of perceived needs of Creative Industries and targeting actions to early stage start-ups, in CCAlps a specific pilot action was designed, promoted and conceived: Creative Camp. It is an innovative model of activities with the aim to support the innovation capacity of companies in the Creative and Cultural Sectors. The Creative Camp methodology started from the capitalization of some similar activities done by the CCAlps partners (design workshop, design jam sessions, call for ideas etc.) and it has worked with a step further to implement a set of different combined elements that together could support the creation of an enabling environment (ecosystem) for the development of innovation projects generated by Cultural and Creative Industries. The set of activities developed were: scouting of innovation ideas and projects, development of international mobility, mentoring to support the development of start-ups and



FIGURE I - Creative Camp methodology

<sup>6</sup>Final Dossier Lesson Learned and ideas for policy pakers http://www.ccalps.eu/wp-content/uploads/2015/04/LP\_Lessons-learned-and-ideas-for-policy-makers.pdf networking among public events. All these activities were designed as specific support actions for early stage start-ups in cultural and creative sector.

During CCAlps this methodology was tested and improved in two editions: the first was a test and the second one was that generated a replicable model of action. A first set of Creative Camps (8 because one for each state partner was performed) was realized between April 2013 and November 2013. They were organized as a local series of events, which involved different stakeholders of a specific sector of the creative industries (e.g. design, film, games etc.) in order to allow an intensive exchange of experience and the final creation of collaborative projects. A Creative Camp could therefore take the shape of different kind of activities according to the thematic focus of each region and to the need expressed by the stakeholders.

After a fist evaluation of strengths and weaknesses of this experience, it was decided to prorogue the project in order to organize a second edition of the Creative Camps during the spring 2014. Thanks to the lessons learned from the experience held in 2013, it was possible, therefore, to improve the model of Creative Camp and to develop the methodology conceived at the beginning.

The second edition was designed and planned as an international set of activities dedicated to cultural and creative early stage start-ups. It was the occasion to test the final methodology including the activities set up in the methodology but with important updates in terms of focus and execution.

During the scouting activities each partner selected projects and start-up ideas by observing criteria of public transparency and the local needs and interests (in terms of area of innovation, number of projects, aims of the activities etc.). With the panel of selected early stage start-ups was planned an international



FIGURE 2 - Cross Creativity event (Photo by Diego Ronzio)

session able to activate international mobility. One international workshop was organized on Lake Constance (Germany) where the networking activities and the knowledge sharing were amplified through the cohabitation for two full days of creative people from partners all over the states. After that each partner performed a *design thinking+business development mentoring*. Experts and mentors supported the projects with consultancy activities able to fill the gap of the idea from the point of view of feasibility in a specific market or territory. The last activity was focus on networking: during the international Cross Creativity Event. Early stage start-ups have been a pitching in front of investors and more in general start-ups, investors, institutions and public stakeholders have been the chance to share knowledge and cooperation opportunities.

### SCOUTING OF INNOVATION IN START-UP COMPANIES IN CREATIVE AND CULTURAL SECTOR: SOME CRITERIA

The scouting of innovation projects and ideas in the Cultural and Creative sector under the general framework of CCAlps started from a local call for ideas publically promoted by all states partner. The criteria to take into consideration for the evaluation (and possibly the selection) of projects or ideas has been different and clustered in three groups: innovation, focus, replicability and sustainability.

With the innovation criteria the partners have been evaluated the element of change of already used practices. The area of innovation for creative industries was the one works on new meaning, new processes, new interaction and experiences of new products or services (Norman, Verganti 2012).

The second point refers to the focus on specific needs: the idea has to answer to a question, a demand, to specific needs of people, communities etc. Ideas have to be focused on specific targets of users and customers and to answer to their needs with a value proposition. Sometimes ideas are focused on specific needs of local communities and then the path dependency is one of the most relevant issues in the value chain.

The third criteria refer to the scalability of ideas. Scalability is one of the most important values for innovation in technology field. At the same time in Creative and Cultural Sector the scalability of projects is related to the possibility of replay projects in different contexts, locations and places and the adjustment of services, activities and events.

The fourth criteria concern the connection with the sustainable dimension of the ideas (also in the early stage of evolution). The idea must be sustainable according to different areas: economic, because the idea should optimizes as much as possible resources and investments available, by providing management of economic processes; the environment, because the idea is to have a low impact or a positive impact on the land and environment, without the need for over-exploitation of natural resources or even helping saving these resources; social, because the idea takes into account the fairness in the possibility of being and inclusion of each type of user (from a point of view of gender, age, origin, etc.). Other relevant information for the evaluation and selection of ideas in the field of culture and creative start-ups has emerged through interviews conducted with investors during the Cross Creativity event. In particular, it was asked what characteristics they have sought and evaluated for a possible investment. The results are quite similar and somehow coincide with the criteria used by the juries of CCAlps also for the evaluation of project ideas. Specifically, two other criteria emerged were the quality and heterogeneity of the team<sup>7</sup> and the knowledge of markets in terms of market research and analysis that support the value proposition<sup>8</sup>.

# THE SPECIFIC MENTORING ACTIVITIES FOR CREATIVE AND CULTURAL START-UPS

During the first edition of the Creative Camp each partner organised a mentoring activity to support the collaborative projects. The aim was to improve the entrepreneurial capabilities in the "pre-seed phase". Mentors were selected in order to find the right experts for the typology of business ideas come out from the Creative Camp.

The supporting activities were focused on aspects that are peculiar for the Creative and Cultural Sector. Users needs, personal aspirations and abilities were the starting point and focus of innovation activities and business models for the new companies<sup>9</sup>.

Three different tools were at the base of mentoring activities performed by Politecnico di Milano and subsequently shared and adopted by the CCAlps partners:

- Qualification<sup>10</sup>: starting from the analysis of the skills gaps for the teams selected, "ad hoc" qualification activities were planned;

<sup>&</sup>lt;sup>7</sup>The entrepreneur we are looking for must be someone who wants to make an impact and must have the ability to do so, it must then vigorously carry forward his plan, there must be a manic detail in deepening the difficulties that separate success and a sense of humility that comes from knowing at first, not wanting to ever leave anything to chance, feeling all the bells, experiences, points of view before making strategic decisions". (Interview to Innogest)

<sup>&</sup>lt;sup>8</sup>"Therefore, be based on the business plan in the early stages means to look for something that will definitely change in the future, we prefer to evaluate the idea, the market and the people and since we cannot know alone we rely accelerators". (Italian investments Club 2)

<sup>&</sup>lt;sup>9</sup>The areas of innovation explored started from the comprehension of subtle and unspoken dynamics in socio-cultural models and results in radically new meanings and languages, often implying a change in socio-cultural regimes (Norman, Verganti, 2012).

<sup>&</sup>lt;sup>10</sup>Different activities of qualification were developed:- management skills improvement: business plan development, business model generation application, marketing strategy etc.;- technical skills improvement: workshops and seminars focused on the improvement of technical skills in digital communication tools production.

- Business Model Generation<sup>11</sup>: the business model generation was proposed to all the teams as a useful tool to develop the projects proposed

- Cross Disciplinary mentoring: the mentoring activities were developed by using a cross disciplinary approach. Two mentors worked together with complementary skills: Design Thinking and Design Management and Business development (marketing, finance and business plan).

At the end of these activities the project team have been developed the ideas in different aspects: the business model and the value proposition (model of costs and revenues); the network of partners and the stakeholders to develop the feasibility phase; the investments required for the start-up of a new company in the Cultural and Creative Sector.

The innovation proposed was not radical or disruptive as that happened in the technology-driven innovation, but based on the development of new services routed on personal motivation and on the sensibility for the generation of new value for market and users.

# THE IMPACT IN LOMBARDY (ITALY): FOUR NEW START-UP COMPANIES ESTABLISHED

In Lombardy region (one of the Italian area of action), after the Cross Creativity event, four start-up companies were ready for the constitution. The most successful project that won the international contest organized with a jury of 7 investors (in Cross Creativity) was *Craftventure*. It is an innovative service providing the maker experience for tourists and young people (international) to live the artisan experience while craftsmen can preserve, renovate extend heritage via cultural clash.

Craftventure launched a beta version of the web platform in October 2014 and in the subsequent mounts a market test. Why Craftventure is a collaborative project? It represents a best practice case in the networking activities. The Craftventure team selected artisans in order to create a co-design of experience starting from their value and work. Four SMEs (in arts&craft) were part of a prototyping activity that was a real test with users and SMEs. Politecnico di Milano supported in the communication activities, networking and users scouting. Three Business Angel met in Cross Creativity event evaluated the investments required for the the start-up. Craftventure is a best practice also for the international point of view: the team of Craftventure is composed of people from Thailand, Venezuela, Corea and Italy. They worked in order to create collaboration at international level for the incoming of users and for the international reliability of the project in territory with high concentration of artisans in arts&craft sector.

<sup>&</sup>lt;sup>11</sup>Business Model Generation is a practical innovation techniques used today by leading companies worldwide. It supports how systematically to understand, design and implement a new business model – or to analyse and renovate an old one. The most important tool proposed for the Business Model Generation is the Business Canvas. It is a strategic management template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's value proposition, infrastructure, customers and finances. It assists firms in aligning their activities by illustrating potential trade-offs. This tool was used by all the teams for the projects presented in the June 2013 event "Culture, Creativity, Growth



FIGURE 3 - Craftventure website homepage (www.craftventure.com)

# LESSONS LEARNED AND CAPITALIZATION

The experience of CCAlps with its pilot actions has been evaluated in terms of results and lesson learned also because one of the main goals of the project was the definition of specific policy recommendations in the field of Cultural and Creative Sector. CCAlps adopted learning by doing approach that the institutions, part of the Consortium, started to use in the support of the early stage start-up companies in this field. Creative Camp represents a successful model in the field of creation of networking opportunities and organization of match-making events for the Cultural and Creative Sector and it has been adopted as a reference for the design of support services in the pre-seed phase (from scouting of ideas and teams, to implementation and test of the pre-commercial ideas for innovative products/services).

The lessons learned from the experience of Creative Camp concern four main topics relevant for the characteristics of early stage start-ups in Creative and Cultural Sector: the scouting activities, the set up of skill building and target actions, the use of specific tools for communication and mentoring, the international dimension.

In Creative and Cultural Sector the scouting of start-ups has to consider ideas, skills and motivation of teams as essential aspect. The identification of creative and innovative ideas is an unavoidable requisite of whatever process or policy that aims to foster Cultural and Creative Industries. The experience of CCAlps has showed that selecting ideas and project proposal means to select team as well. The second relevant lesson learned consequently refers to the skill-building of teams in terms of actions and targeted support services in different fields of knowledge: management, finance, marketing, intellectual property protection and legal. This activities need to be targeted because mature enterprises, start-ups and young freelancers have different features in terms of capacity and vision. A clear identification of these needs allows exploiting more effective supporting tools: calls for ideas and support services in line with the needs.

The third lesson refers the tools to be used to reach (communication tools) and support (mentoring tools) start ups in the pre-seed phase. By adopting an ad-hoc communication is possible to reach a broad panel of Cultural and Creative Industries especially in contexts with a high concentration of companies; by

avoiding bureaucratic language and using new channels (such as network of accelerators/incubators, social networks, web radios, digital media, communities) it is possible to alert and make aware a large number of enterprises and freelancers. The supporting activities should also focused on particular aspects of innovation in the cultural and creative sector, with three different instruments: skill building, with ad-hoc skills development paths; business Model Generation, that is the most appropriate tool to support the development of a clear and sustainable value proposition; cross-disciplinary mentoring, with two complementary skills, design-thinking and design management with business development (marketing, finance and business plan).

The last lesson learned refers to the international dimension. Creative Camps, in parallel with other experiences, highlighted the importance of international mobility in this sector. The idea behind was to select and support collaborative projects. The collaboration emerged especially as exchange of knowledge, sharing of experiences and expertise regarding the development of the innovation process (related to a service or events). The relations among Cultural and Creative Industries, SMEs, institutions and associations have showed a "fluid" dimension. The open question, even on the basis of other experiences, is whether and how to rearrange this phase in system.

The capitalization of these lessons learned and the Creative Camp as model of pilot action in the field of support of start-ups in Creative and Cultural Industries has been already done in other European Researches started in 2005<sup>12</sup> and in new European proposals that are under evaluation<sup>13</sup>.

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<sup>&</sup>lt;sup>12</sup>CREA Summer Academy funded by HORIZON 2020 Program (www.cresummeracademy.eu)

<sup>&</sup>lt;sup>13</sup>CCAlps+ (Alpine Space Program 2014-2020 – 1st call for ideas), CCREA (Central Europe Program 2014-2010 1st call for ideas), AUGES (HORIZON 2020 ICT-19-2015)

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# THE VIRTUOUS CIRCLE

DESIGN CULTURE AND EXPERIMENTATION

Design comes out of the interaction between a practice, which seeks to change the state of things, and a culture, which makes sense of this change. The way this happens evolves with time: practices and cultures evolve and so do the ways they interact; and the attention that is paid at different moments to one or other of these interacting polarities also evolves. In the current period of turbulent transformation of society and the economy, it is important to go back and reflect on the cultural dimension of design, its capacity to produce not only solutions but also meanings. and its relations with pragmatic aspects. Good design does not limit itself to tackling functional and technological questions, but it also always adopts a specific cultural approach that emerges, takes shape and changes direction through a continuous circle of experimenting and reflecting. Because the dimension and complexity of the problems is growing, it is becoming evident that to overcome them it is, above all, necessary to bring new sense systems into play. This is ground on which design, by its very nature, can do much. Indeed, the ability to create a virtuous circle between culture and practical experimentation is, or should be, its main and distinctive characteristic. However, for this really to happen it is necessary to trigger new discussion and reflection about the nature and purpose of design practice and culture.