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Entrepreneurship: Theory and Application in a University Arts Management Setting

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Abstract
This article explores the applicability of entrepreneurship as an academic course of study with respect to the broader area of arts management pedagogy. A historical overview of primary texts ranging from the seventeenth to nineteenth centuries serves as a preface for a discipline-based perspective of its twentieth-century articulations. Primary theoretical exponents reveal the economic, sociological, and psychological underpinnings of entrepreneurship as it is developed as an academic topic. Mahoney and Michael’s subjectivist theory informs the relationship between entrepreneurship and the study of creative and cultural industries. Recommendations for specific pedagogical application include structuring and content for in-class activities and outreach projects. In all cases the use of analogy, non-linear thinking, and the critique of textbook decision-making protocol supplement the implementation of outreach programs including practicum, externship, as well as study abroad, student leadership, and alumni-involvement initiatives.

Keywords: entrepreneurship, theories of entrepreneurship, arts management pedagogy, creativity

Introduction
Initially developed at the dawn of the eighteenth century, the concept of entrepreneurship has been the focus of increasing interest in the area of economics since the nineteenth century and that of higher education since the middle of the twentieth century. Research shows that over the last fifty years in particular, entrepreneurship as an academic discipline has transcended the confines of business textbooks to become a synonym for progressive thought in various disciplines and contexts. Additional studies point to the overlap between the arts, creativity, and what is referred to as the entrepreneurial spirit. Nonetheless, an irony pervades the current renewal of interest in entrepreneurship within the academy because, despite the proliferation of articles, definitions, personality profiles, and case studies, we are far from any complete understanding of entrepreneurship.
as such. While many approaches to the topic are more codified as a result of either their disciplinary association or their place in the wider history of ideas, current scholarship is also witness to the effort to define entrepreneurship from the perspective of the creative and cultural industries. Given these dynamics, an overview of the subject’s theoretical situation is useful to guide and focus the groundswell of interest from within higher learning while offering an informed perspective to a working curricular and pedagogical approach to the specific case of arts entrepreneurship instruction.

Theoretical Overview: Primary Historical Sources

As indicated above, the recent growth of interest in entrepreneurship has resulted in an interdisciplinary approach to the topic. This invites an initial partitioning of theoretical approaches along the lines of the relevant disciplines. However, it is also useful to recognize a common historical development that underpins and informs the more recent, multi-disciplinary perspective. Two groupings would allow for us to connect the “early history” of entrepreneurship thought (18th and 19th centuries) to the more recent history (20th century to present) as it pertains to academic research theories from disciplines including business, sociology, and psychology.

Richard Cantillon (1680-1734) was the first to develop the idea of entrepreneurship beyond its scattered use since the high Middle Ages (12th century, from the French “entreprendre” designating “to embark on a project”). While contemporary use of the term “entrepreneur” refers to someone undertaking projects (our “enterprise” also comes from the French root), Cantillon was the first to associate this title with specific behaviors. He did this by separating entrepreneurs from landowners and hired hands before describing these two parties as parts of the larger enterprise of connecting products with consumers. Coordinating the moving parts of the project as such is the domain of the entrepreneur according Cantillon’s initial formulation.

French political economist Jean Baptiste Say (1767-1832) refined Cantillon’s model by expanding its applicability beyond its initial, agricultural setting. Say represented the entrepreneur as an agent bringing together multiple specialists to collaboratively build a productive item. Say also recommended shifting resources from areas of lower productivity to those of higher productivity. This signifies his implicit recognition that external conditions were part of the larger equation for managing entrepreneurial
risk, (a consideration later developed by Frank Knight, see below). Say’s concept of entrepreneurship is indebted to the English political economist Adam Smith (1723-1790) who conceived of the entrepreneur as an agent for transforming demand into supply.

In 1848, John Stuart Mill (1806-1873) published *Principles of Political Economy*—a text that followed in line with the liberal economic ideology shared by David Ricardo (1772-1823) and Adam Smith. However, in his treatise, Mill took a more pragmatic approach in contrast to Ricardo’s theoretical stance identifying entrepreneurship as the fourth factor of production. Mill’s analysis saw little modification until Frank Knight (1885-1972) developed his theory of entrepreneurial risk taking. This is the first explicit recognition of risk management as central to startups. Building on the thought of Cantillon and Say, Knight identifies the main function of the entrepreneur as acting in anticipation of future events. He ultimately identifies uncertainty as a factor of production, and considers profit and loss as the consequent results of the risk-reward proposition.

British born economist and author of *Principles of Economics* Alfred Marshall (1842-1924) developed a theoretical position that would become an anchor for one of the primary ways of conceiving entrepreneurship in the twentieth century. The idea that analysis of personal characteristics of individual entrepreneurs allows for insight into entrepreneurship has become a central tenet in the “strategic adaptation” theories of entrepreneurship (see below). However, according to Marshall, the key attributes of an entrepreneur (understanding of the industry, leadership, and forecasting shifts in supply and demand) are insufficient for success in and of themselves. Marshall also identifies success or failure as bound up with the external, economic context of the endeavor.

**Discrete Theories of Entrepreneurship, Arranged by Discipline**

By the first quarter of the twentieth century, interest in entrepreneurship had grown to the point where the topic was outgrowing the confines of economics. Since that time, scholars like Max Weber and David McClelland were addressing entrepreneurship from sociological and psychological perspectives while others like Mark Casson, Joseph Schumpeter, and Israel Kirzner have continued to make contributions from the perspective of economics, marketing, and business management. In this section, we will recognize the import of these disciplines as they work to increase
the breadth and depth of our understanding of entrepreneurship. Representative theorists, along with their basic contributions, will be arranged along with their corresponding discipline.

The central perspective for understanding entrepreneurship remains that of business. Over the twentieth century, the study and practice of business has achieved greater complexity than its previous articulation under the rubric of political economics. Marketing, management, and finance are subdivisions within the discipline of business, however the limited scope of this paper precludes elaboration of the theoretical and practical implications of these distinctions. Instead, we will group these subdivisions under a single umbrella, which will be referred to interchangeably as “economics” or “business.”

An “economic theory of entrepreneurship” is one that considers the relationship between economic conditions and incentives to arrive at a risk-reward equation that informs a determination on whether or not to pursue a potential venture. Such a theory favors an aggressive as opposed to conservative relationship to opportunity by seeking to identify the economic conditions that promote growth. Likewise, economic theories consider incentives as the primary motivators supporting the pursuit of opportunity. Typically, incentives include: taxation policies, infrastructure availability, marketing opportunities, and technological advancements. Economic theories of entrepreneurship tend to understand business ventures in terms of an innovator purchasing several factors of a product at a bulk rate, combining them for resale at a higher rate but in the face of unknown market conditions.

Joseph Schumpeter’s innovation theory and Mark Casson’s economic theory provide two contrasting examples of the economic approach to understanding entrepreneurship. Casson argues that entrepreneurship is primarily fomented by economic conditions conducive to growth. Schumpeter on the other hand, holds that it is more so the result of characteristics of the entrepreneurs themselves. We will attend to this distinction of approaches in greater detail below. For now however, it is sufficient to recognize that the economic approach benefits from an assessment of an entrepreneur’s internal characteristics (creativity, foresight, resourcefulness, innovation, vision) as well as an analysis of the external conditions of the environment into which the enterprise is to be launched. These include taxation, availability of raw materials, access to financing, access to
marketplace analytics, availability of technology, marketing opportunities, etc.

Another disciplinary approach to entrepreneurship that marks modern scholarship is the sociological approach. A sociological theory of entrepreneurship considers how social values and customs create environmental conditions that are either favorable or dissuasive to a given enterprise. Such theoretical approaches tend to benefit studies that incorporate cultural norms and group behavior. From this perspective, it is important to recognize points of overlap between the economic and sociological approaches to entrepreneurship. The latter category supports both the assessment of external conditions (as in Casson’s economic theory) as well as the assessment of behavioral characteristics of leaders and/or team members within the entrepreneur’s sphere (as in Schumpeter’s Innovation theory).

A prominent name associated with sociological theories of entrepreneurship is Max Weber. A German sociologist and historian whose seminal text *The Protestant Ethic and the Spirit of Capitalism* tied the rise of capitalism to the protestant belief in justification by good works, Weber understood entrepreneurship as a driving force of social cultures. In the case of Western capitalism in particular, its emphasis on economic freedom and private enterprise resonated well—Weber contends—with the protestant work ethic. According to Weber’s sociological theory then, a successful entrepreneur is defined by the correct balance of discipline and an adventurous free spirit.

Psychology provides a final discipline-based approach to entrepreneurship. A psychological theory of entrepreneurship maintains that there is a psychological profile common to entrepreneurs. Furthermore, studies adopting this perspective tend to discuss attributes of this profile that include: the need for achievement, the ability to predict economic developments, an integrated self-image, self-complexity, and self-reliance. David McClelland’s achievement motivation theory is a good example of a psychological theory of entrepreneurship. This “intrinsic” or characteristics-based theory holds that entrepreneurs are driven by basic needs like power, affiliation, and achievement. While important as a measure of these basic needs, money in itself is not considered a primary driver according to McClelland’s theory. As the name indicates, “achievement” is the primary driver to which the other drivers render various levels of service. From this point of view, affiliation is seen as a validation of achievement, and power
as verification of achievement as opposed to affiliation and power being ends in and of themselves.

From an objective perspective, the issue of entrepreneurship theories and their distribution is incomplete without recognition of some macro-level trends. These can provide useful reference points when considering a new theory, for seeking a theory to apply to a new study or project, or for the purposes of teaching entrepreneurship to students. A central opposition that allows analysts to divide many entrepreneurship theories into two, largely exclusive domains is that between theories that work from the position of personal characteristics of individual entrepreneurs to make claims about entrepreneurship (intrinsic or “strategic adoption” theories), and those that work from the position of the external or environmental factors to the same end (extrinsic or “population ecology” theories). A third category of hybrid theories has arisen that reconciles intrinsic and extrinsic approaches. Furthermore, the work of Edward Lazear has shown macro-level characteristics endemic to entrepreneurs expressed as a broad range of skills (intrinsic) that allows for adaptability within an uncertain and changing environment (extrinsic).

Entrepreneurship Within the Study of Creative and Cultural Industries

Over the last two decades, the academic interest in entrepreneurship has begun to gather around its implications for the creative and cultural industries. Despite the fact that, as Ruth Rentschler indicates, “a generally accepted definition of cultural entrepreneurship has yet to emerge,” factors including decreased funding for the arts and increased corporate consolidation continue to stress its value. From a general point of view, recent scholarship on this particular issue identifies creativity and innovation as essential to establishing and sustaining the momentum of arts organizations. Scholars including Rentschler, Ian Fillis, and Yi-Long Jaw identify the works of Burns and Stalker as well as that of Peter Drucker as the point of departure for this new perspective on entrepreneurship. In particular, it is the focus on innovation as both the specific tool of entrepreneurs as well as the product of social processes within a given organization that create new possibilities for the more recent scholarship. A key theme developed in the scholarship from this period is that arts entrepreneurs use innovation and creativity to successfully exploit change.

The overlap between this approach, the intrinsic/behaviorist one, and
that of Schumpeter’s innovation theory is manifest in the move from an economic context to one driven by the arts. Scholars including Van der Broeck et al. and Oke et al. specify that there is a break from the more rationally determined approach of economics to a new understanding of entrepreneurship as it is framed by creativity and imagination. The subjectivist theory of entrepreneurship proposed by Burt has accrued its own currency in this new context. This theory holds that “useful ideas tend to be the result of having non-redundant and heterogeneous contacts which permit idea generation through the combination of diverse information.” Mahoney and Michael forward this line of thought by calling for “non-routine” creative solutions to organizational issues with no precedents.

Ian Fillis and Ruth Rentschler’s coauthored article “Using creativity to achieve an entrepreneurial future for arts marketing” is a lucid articulation of these new directions for understanding entrepreneurship. The authors draw heavily from Gummesson’s work on artistic intuition. Against the modern, top-down approach to arts marketing as a general application of theory, the idea of artistic intuition implies another, inductive and “post-modern” one. Fillis and Rentschler’s approach brings nonlinear thinking into value as both critical and reflective in nature. Rather than following a textbook set of steps, these scholars hold that the rules governing how a situation should be approached come from situational and contextual details specific to that particular instance, even (or especially) if these signify a break from convention.

Fillis’ 2012 article, “An aesthetic understanding of the craft sector,” draws logical conclusions from the preceding scholarship. Namely, that this nonlinear style of thinking disrupts and collapses the supposed opposition between arts and management that comes from economic models of production showing them at opposite ends of the same continuum. Instead, Fillis invites us to understand aesthetics as a critical and interpretive tool for the analysis of arts management styles. Rather than declaring any style right or wrong, this work allows for a more nuanced understanding of styles of decision-making as arts entrepreneurs react to market opportunities. A more traditional approach makes reasoned deductions based on the rules of the game as they relate to given data. Sometimes however, such an approach is confounded by a situation without precedent, and it is here for example that a more intuitive approach emphasizes the artistic import of effective management. For example, creative thinking may reach outside of the limits of management practice to a completely different discipline.
Applicability to Arts Management Pedagogy: An Example

So what do these observations mean for best practices in the cultivation of an arts and entrepreneurship component program in an institution of higher learning? First of all, it is important to recognize the special relationship between art, creativity, and entrepreneurship. Scholarship on creativity in fine and applied arts shows that creative minds produce originality, novelty, resourcefulness, flexibility/adaptability, innovation, and invention. By showing how art provides novel solutions to problems and new ways of presenting and arranging forms, these authors support the idea that students of art are predisposed to entrepreneurial thought in ways that other students may not be. It is not difficult to see the correspondence between these characteristics and those identified with successful entrepreneurs by Schumpeter as well as by the behavior-based socio-cultural approaches discussed above. The idea of entrepreneurial cognition—that successful entrepreneurs think differently and use different strategies for making decisions—is another way to the same observation: namely, that creative thought links the arts to entrepreneurship.

While entrepreneurship has become a catch phrase for universities looking to both capitalize on the multidisciplinary potential for growth while also working to better prepare their students for competing in the marketplace, additional precautions should be made. In light of the abundance of entrepreneurship courses offered by business programs (versus non-business programs), simply accepting the business-based version of entrepreneurship is an error of convenience. This is to overlook both the specific nature of the arts-based skills as well as the essential locus of creativity working to articulate the arts to entrepreneurship. While art classes seek to imbue students with the practical skills needed to produce saleable services or items, business-based entrepreneurship courses prepare students to confront the economics of decision-making. But neither of these courses provides the third crucial skill set, which is the skill of managing the practical skills with an eye toward commercial—as well as creative—ends. Regarding common challenges facing arts management programs, a final caution is that time, space, and equipment must be provided and
maintained to foster creativity. It is important to note that conventional instruction and assessment models favoring white-collar, as opposed to skill-oriented, employment hinders arts entrepreneurship students from both realms of employment.

As a guideline for the proper instruction of arts entrepreneurship, the University of Texas’ College of Fine Arts identified three sets of objectives. The first group is oriented towards intellectual and professional skills like the establishment of an entrepreneurial perspective and the demonstration of how individual creativity, intellect, and experience can be channeled to an arts (or arts-related) career. The second group is oriented towards business, professional, and career development skills like understanding for-profit and not-for-profit business structures, a basic knowledge of marketing and communications, as well as a basic understanding of what is expected of a professional artist in the marketplace. The final set of objectives is oriented towards understanding the policies, standards, and cultural milieu of the arts. These skills include audience development, financial support, and the impact of economic, political, and world events on the arts. While not exhaustive regarding potential scenarios, this model does provide effective rubrics for pragmatically orienting competencies that will serve students well beyond the cap and gown ceremony.

With respect to best practices in the teaching of arts entrepreneurship, research supports a hybridized classroom experience that mixes traditional aspects of education with experimental ones. Instruct presentations, student discussion on select readings or other class-related experiences, as well as individual and group-based student presentations are traditional instructional approaches. Non-traditional components include creative breakout sessions, guest speakers, externships, contests (for best elevator pitch, best business model), and community outreach initiatives. Certain co-curricular activities like student run ventures, study abroad, internships, mentoring programs, and hatcheries are also evaluated highly especially when these arts entrepreneurship courses engage the community or the alumni base. In these instances, the course is a concentrated prism of the university mission to leverage its student success stories toward the benefit of its extended community. Particularly effective are situations in which students team up with arts-oriented alumni to carry the lessons of entrepreneurship and empowerment to underprivileged, marginalized, or otherwise depressed socioeconomic groups.

Recent scholarship on creativity and arts entrepreneurship provides
additional examples that may be used to enhance pedagogical approaches. The techniques discussed above include analogy, critique of textbook approaches, and focus on case studies that present a wide spectrum of troubleshooting scenarios. In the first instance, the use of analogy provides an interesting basis for the creation of classroom assignments. Goals include student recognition of other cognitive domains like systems theory or animal behavior within which models of reaction may be imported for possible viability. In the second and third examples, a collection of recommended protocols for addressing decision-making may be derived from texts like George Monahan’s *Management Decision Making* or Roger Schroeder’s *Operations Management*. While comparison and critique of the protocols are well-suited for in-class discussion and debate, the value of this initial gesture may be amplified by applying the textbook approaches to case studies such as those found in *The Business of Events Management* by Beech et al. or Jerri Goldstein’s *How to be Your Own Booking Agent*. This is an effective way to mine real-life arts management scenarios for situational impasses as well as other decision-making scenarios such as deciding between different opportunities. This type of exercise is well suited as an extension activity following a presentation on creativity and innovation. Students should be primed for using nonlinear thinking to make decisions in an arts management context. Particular interest should be accorded to those situations in which the recommended models fail and the students are forced to create their own course of action. Assessment of these sample activities should be focused on creative thinking as a process since the application, and therefore any likely results, are merely academic.
Endnotes


3. J. Heinonen and E. Akola, CP Training and Entrepreneurial Learning in Europe: Results from ENTLEARN project (Turku: Turku School of Economics, 2007).


10. Ibid.


16. Dedre Gentner, Keith J. Holyoak, and Boicho N. Kokinov, ed., *The


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