

ASSESSMENT OF CULTURAL ENTREPRENEURSHIP MANAGEMENT IN LATVIA

Ieva Zemīte

Latvian Academy of Culture/ The University College of Economics and Culture

Abstract. A cultural entrepreneur in the twenty-first century will redefine entrepreneurship. A business entrepreneur typically measures performance in profit and return, whereas a cultural entrepreneur assesses success in terms of the impact it has on society as well as in profit and return. Cultural enterprises are for 'more-than-profit,' using blended value business models that combine a revenue-generating business with a social-value-generating structure or component. Therefore it is important to measure management of cultural entrepreneurship in order to improve efficiency and stability of cultural entrepreneurship.

The purpose of this paper is to define the tools of the measurement of cultural entrepreneurship management, and to investigate the understanding of the stakeholder engagement in cultural enterprises in Latvia.

During the research the qualitative research methodology has been used, being oriented towards the research problems which are comprehensible by intervention based in experience and ability to reach broad perspective and evaluate the impact of culture. The research was started by creating a focus group with managers working in the field of Latvian cultural entrepreneurship with experience of at least 5 years. The evaluation of the cultural enterprises' stakeholders by the method of interview was performed in 42 cultural enterprises: art galleries, non-governmental theatres and concert organizations, thus covering all the legal entities working in the above-mentioned field in Latvia during the research period (2010 – 2013).

This is the first study that measures the stakeholder engagement in cultural entrepreneurship and gives a model for assessment of cultural entrepreneurship management.

Keywords: Cultural entrepreneurship, cultural enterprise's performance improvement, management assessment, stakeholder engagement.

Background of the research

The researchers (Overfelt, 2003; Turner, 2003; Williams, 2003; Schoenberger, 2003) acknowledge that this generation broadens the scope of entrepreneurship, basing their activities on innovation and creativity. As a result of the economic crisis, the large corporations do not have any attractive workplaces for the young generation any more, as it has been raised in the era of technologies and is not afraid to take risks. Although in Latvia, like in other countries, where the market economy has been renewed recently, people mostly talk and think about quick profits, movement of capital and direct investments, the issues of infrastructure and human resources are still more important from the long-term perspective. Art and culture has been put from economically insignificant position to the centre of the new economic development strategies.

According to Article 8 of the UNESCO General Conference Declaration, "*cultural goods and services are unique commodities, as in the face of present-day economic and technological change, opening up vast prospects for creation and innovation, particular attention must be paid to the diversity of the supply of creative work, to due recognition of the rights of authors and artists and to the specificity of cultural goods and services*". The classical economic assumption that service should be generated by using resources in a thrifty way cannot be based upon in the branch of culture where the artistic value or contents is the main issue. Also the notion of

business has developed in parallel to formulation of economic terms and development of new economic theories. The Organization for Economic Co-operation and Development (OECD) in common study with Eurostat has defined entrepreneurship according to the new economy circumstances. According to that, "*Entrepreneurs are those persons who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Entrepreneurship is the phenomenon associated with entrepreneurial activity*" (Ahmad, Seymour, 2009). The definition does not indicate what kind of value the entrepreneur has to create, is it economic, social, artistic or personal value; at the same time it specifies the other direction as expansion of economic activity. Thus the definition provides a possibility to view entrepreneurship not only as a profit oriented activity, but as an activity based on human action in creating new products, processes or markets.

The cultural exception principle has created preconditions for exempting cultural sector institutions and organizations from the free market laws and protecting their artistic values, the same time creating a system where the managers of organizations, relying on their special status, demand both financial and material resources for ensuring activi-

ties of cultural institutions and organizations. Specifically, the ability to understand both the world of culture and the world of business, to be aware of the partner's thinking style and see the cooperation possibilities has created the necessity to define cultural entrepreneurship, as cultural organizations have to be able to operate in the market environment, understand the rules set by the government and develop relationships with those stakeholders who are crucially important for the cultural organization's existence. To reach the objectives, business skills have to be developed and applied in the cultural sector, thus fostering efficient work of organizations and productivity within the context of whole sector. However, the differing characteristics of cultural entrepreneurs have become a hindrance for basing on the classical business development theories. Although it is difficult to forecast the demand for cultural products, and for a simple consumer it is hard to evaluate the product contents, the cultural field researchers and economists (Klamer, Veldhuis, 1999; Baumol, 2003, 1993; Aageson, 2008; Deakins, 1996) already since the 90s of the 20th century have started a discussion on the development of cultural entrepreneurship notion, urging artists and their representatives to learn about selling art and orientation in the market. The offered cultural entrepreneurship definitions indicate the most essential criteria in the cultural sector: the best possible product quality and reputation as good as possible. The artistic criteria have been stressed as the most important ones, and the necessity for reassessing the activities has been pointed out; however, it is hard to perceive the definition, as both the aim and means for reaching the aim are mentioned there, indicating towards particular areas of activities, i.e. risks, innovation and attraction of additional funds, yet, not including all of them.

Understanding of the use of information technologies, contemporary marketing and external communication are equally important. Evolvement of the cultural entrepreneurship notion continues along with the development of networking organizations and associations like *The Cultural Entrepreneurship Network*, *Global Centre of Cultural Entrepreneurship*, as well as active private initiatives. If in case of the classical entrepreneurship the business person consolidates resources and takes risks to obtain profits, then cultural entrepreneur consolidates resources and takes risks to obtain artistically valuable results, to realize artistic ambitions and to offer cultural product to society.

The author focuses on the three most important attributes of cultural entrepreneurship which are essential for assessing the possibilities of applying the entrepreneurship management evaluation methods in cultural entrepreneurship area:

Finance — the sales of enterprise's product or service may not be able to cover the enterprise's

expenses, therefore, for the enterprise to exist, the 3rd party funding is necessary;

Strategy — a classical business organization analyses external environment to find out the necessary activities and solutions demanded or permitted by the external environment factors and to analyse their impact; a cultural enterprise analyses the external environment to discover the resources for ensuring its activities.

Marketing — the meaning of a cultural enterprise's existence is product created by it, therefore the cultural enterprise has to educate the prospective consumer to create the demand. Market research, segmentation and finding out the needs of consumer will not ensure demand for the product created by the cultural enterprise. To create the demand, the consumer has to be „educated”, his understanding has to be enhanced and desire to appreciate art products have to be created.

When comparing the classical, social and cultural entrepreneurship, the main features are personal motivation, field of activity, interaction and ethics appear to be the most important differences.

According to the data of *European sectoral organisation* (2010, 42), creative people, not organizations are the main ones in performing arts, and the concept of entrepreneurship is comparatively new. 63% of the performing arts sector companies consist of 4 persons (and less), 22% employ 4 to 10 employees. Totally 85% of enterprises have less than 10 employees; however, particularly this part creates 39% of revenues generated by this sector. Within the context of cultural entrepreneurship discussed in this research cultural enterprises are looked upon from a narrower point of view by analysing those enterprises and societies of performing arts and visual arts branch that carry out business activities. Employment in the cultural sector is high and several branches develop basing only on human expertise and skills (cultural heritage, cultural tourism and performing arts). By fostering cultural entrepreneurship, it is possible to develop the above-mentioned branches and create workplaces which are not directly subsidized, but created basing on the best possible way of combining culture and market rules.

To analyse the role of artistically valuable results within the context of managing cultural enterprises, it is necessary to evaluate the management of sustainable stakeholders (Jagersma, 2009, 341). The stakeholders (Freman, 2010; Carroll, 1996; Harrison, Freeman, 1999; Waddock, Bodwell, 2002; Philips, 2003; Post et al., 2002a, b) show that sustainable development of organization can be fostered by purposefully managing important relationship between the enterprise and its strategic partners. The author assumes that stakeholders are those identified external and internal forces that can impact the process of creation and promotion in a

cultural enterprise.

The Research Problem: How to define the tools of the measurement of cultural entrepreneurship management, if the financial results of the performance are the same, but some of enterprises achieve high artistic results and others don't. The research aim is to analyse the area of enterprise's activities, to find out what way and by what kind of activities it is possible to engage the stakeholders and how to measure goal of the stakeholder's engagement?

Methods

During the research the author has used the qualitative research methodology, being oriented towards the research topics which are comprehensible by intervention based in experience and ability to reach broad perspective and evaluate the impact of culture.

The research methods have been chosen and their use substantiated basing on the scientific papers and publications of management science researchers and economists from different countries, as well as data bases and Internet resources. Also the general and scientific literature on entrepreneurship and business management, cultural entrepreneurship, evaluation of business management; research papers; methods of statistic data analysis and processing; laws of the Republic of Latvia; data of the Ministry of Economics and Ministry of Culture of the Republic of Latvia.

To investigate the research topic, qualitative research methods have been chosen according to the problem to be investigated:

- General scientific methods: monographic method; logically constructive method; content analysis of qualitative research; analytic induction (theoretical aspects and practical research);
- Empirical research methods: in-depth, semi-structured interviews; focus-group interviews;
- For the data processing: content based analysis; building blocks of a logical argument.

The research was started by creating a focus group to discover the stakeholders in cultural entrepreneurship management, as well as to identify the most important management evaluation aspects and precisely determine the further steps of the research. Managers working in the field of Latvian cultural entrepreneurship with experience of at least 5 years in management of cultural projects, festivals and enterprises were invited to the focus group interview with the aim to define the cultural enterprises' stakeholders. For the data processing was used content based analysis and there were 6 most important stakeholders defined.

Next step was the evaluation of the cultural en-

terprises' stakeholders by the method of interview. On the basis of monitoring of all the legal entities working in the above-mentioned field in Latvia during the research period (2010 – 2013), it was found that there were only 42 non-governmental cultural enterprises: art galleries, non-governmental theatres and concert organizations. Basing on the approach of building blocks of a logical argument, the categories of interview text were summarized and broader theoretical notions were formed to determine the objective of engagement in 6 directions (*defined stakeholders*) and in 3 subcategories – the aim of the engagement (*Why do you cooperate with 6 defined stakeholders?*), the process of engagement (*How do you cooperate with 6 defined stakeholders?*) and engagement evaluation (*How would you assess your cooperation 6 defined stakeholders?*).

Limitations

Within the context of cultural entrepreneurship, this research will analyse only the narrower aspect of a cultural enterprise, by examining the legal entities of performing and visual arts that undertake commercial activities, the basic activities of which are related to creating and promotion of professional art (theatre, dance, symphonic music and classical music) products, and that are not state or municipal limited liability companies. The research does not analyse the personality traits of a cultural entrepreneur. The research does not cover all factors of organization's internal environment. The research does not analyse financial data of organizations, as the annual reports submitted by the organizations during the research period do not reflect the real financial situation in the organizations examined.

Results

The research results reveal the role of the cultural enterprise's stakeholders' engagement in evaluation of management, characterize the importance of the goals' analysis, as well as analysis of each stakeholder's engagement, and indicate the criteria for evaluating activities in cultural entrepreneurship. After assessing the obtained opinions and summarizing the growth indicators of cultural enterprises discovered in the process of research through the analysis of the subcategories – the aim of the engagement (*Why do you cooperate with 6 defined stakeholders?*), the process of engagement (*How do you cooperate with 6 defined stakeholders?*) and engagement evaluation (*How would you assess your cooperation 6 defined stakeholders?*) three criteria important for evaluation of cultural enterprises' performance were defined: viability, growth and influence. They basically determine the importance of the stakeholders' engagement in managing

a cultural enterprise.

The analysis of the research results gives the following criteria for evaluating the *viability* of enterprise:

- Involvement of the existing clients and generation of interest among the potential customers, by developing an understanding and necessity to attend exhibitions, purchase art-works, recognize and evaluate artistic values;
- Ability to find clients (the audience);
- Ability to attract and keep clients (the audience);
- Ability to generate interest among clients (the audience) about the product offered by the cultural enterprise;
- Interest of clients and visitors about the art-works (attendance of exhibitions, purchases of art-works);
- Number of clients (in the data base, clients receiving additional services);
- Number of theatre performance visitors;
- Number of visitors attending other activities organized by the theatre;
- Ability to attract the 3rd party funding to ensure qualitative work and avoid efforts of earning money for maintaining the premises and covering the heating expenses by artistic results.

The analysis of the research results gives the following criteria for evaluating the *growth* of enterprise:

- The artistic success of galleries (product quality appreciation in visual arts branch: the number of nominations and awards; invitations to participate in prestigious arts fairs for galleries oriented towards international markets, invitations to the gallery artists to display their works in foreign countries);
- Artistic success of the theatre (product quality appreciation in performing arts branch: the number of nominations and awards; invitation to participate in international festivals and contests);
- Personal growth (possibility to grow, learn and perfect one's knowledge; possibility for employees to elaborate some kind of activities; possibility for volunteers to undertake new duties and responsibility, to meet in person representatives of the stakeholders).

The analysis of the research results gives the following criteria for evaluating the *influence* of enterprise:

- Ability to ensure activities attracting the interest of other stakeholders (information in Internet environment and public space on the activities carried out by the cultural enterprise: the published news and their quality, media channels and their quality);

- Bringing to the forefront issues important for society (activities noticed and appreciated by the clients, media and other cooperation partners);
- Solving social issues by the help of art (opinion leaders developed by the cultural enterprises);
- Ability to attract the 3rd party funding: sponsors and patrons for publishing the artist catalogues);
- Ability to attract funding of foundations for performing various activities that promote art and culture among broader society.

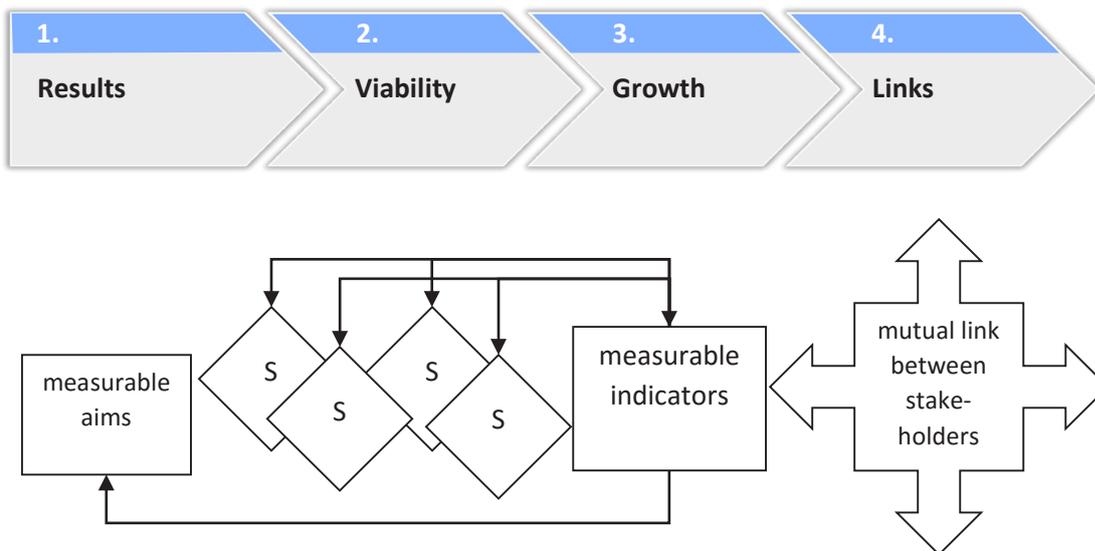
The research results prove that the most important task for the manager of cultural enterprise is to establish involvement with the stakeholders of cultural enterprise.

Discussions

Taking into account the complexity of cultural entrepreneurship planning process, as the result has to be forecasted, yet it is formed by external resources, the author proposes the following principles for engaging the stakeholders:

- Mutual correspondence of enterprise's and stakeholders' objectives;
- Coordination of the objectives in order to gain the planned result;
- Coordination of enterprise's activities with the stakeholders;
- Ensuring communication with the stakeholders during the process of developing the direction of activity.

As the most important task for the manager of cultural enterprise is to establish involvement with the stakeholders of cultural enterprise. Involvement of stakeholders ensure the viability and growth opportunity of the company as well as efficiency of activities of the company. To ensure evaluation of cultural enterprises by applying the performance evaluation criteria and development perspectives that are oriented towards observation of the stakeholders' interests and coordination of issues with them, the author has created a method for cultural entrepreneurship management evaluation (see figure 1).



*S- Stakeholders

Figure 1. Assessment method for cultural entrepreneurship management evaluation.

- By creating this method, the author wanted to reach the following objectives:
- To detect and depict links between cultural enterprises and stakeholders;
- To systematize and logically arrange their mutual cooperation relationship and cooperation stages;
- To find out the correlation between the stakeholders needs and indicators of the results produced by the cultural enterprise.

The author concludes that the engagement has to be evaluated by taking into account the type of results based on the ratio of the stakeholders' importance within the branch, although not providing information about particular activities to be carried out. The aim, process and criteria of engagement for each of the six stakeholders' types precisely determine which of them can foster enterprise's development as a result of mutual engagement. For example, in case the 3rd party financing provider is the state or municipality, it is essential to correspond to the evaluation criteria mentioned in the legislation. For art scholars and critics presentability is important, for media – ensuring broad audience coverage, for cooperation partners – attraction of the audience. Cultural enterprise manager has to assess evaluation criteria most important for each stakeholder and plan the enterprise's activity according to the directions important for the stakeholders. The method can be applied for evaluation of management in any cultural enterprise, by performing analysis systematically, starting from setting the enterprise's aim until the analysis of efficiency.

The author has evaluated the management of cultural enterprises and accomplished their performance analysis by applying the method for cultural

entrepreneurship management evaluation in order to determine the practical applicability of the method for cultural entrepreneurship management evaluation. The author concludes that the method for cultural entrepreneurship management evaluation provides to the managers of cultural enterprises information necessary for evaluation of the importance of stakeholders' engagement in cultural enterprise management.

Conclusions

1. Evaluation of the impact of stakeholders on Latvian cultural enterprises management is specific, as the priorities and performance goals important for one enterprise can be restricting or unconformable for the other; however, by analysing cultural entrepreneurship environment it is possible to adapt the method of cultural entrepreneurship evaluation for the performance assessment of every cultural enterprise, as it allows the enterprise's manager to perform individual analysis of his work.
2. The main changes have to be introduced in evaluating the contents of activities in cultural enterprises, basing on the criteria of viability, growth and influence. The role of the stakeholders in the enterprise's management evaluation is discovered and the necessity for analysing the stakeholders' mutual relationships and, on the basis of that, creating the method for evaluation of cultural enterprise's management is discussed.
3. The cultural enterprise management evaluation method is based on the understanding of the necessity to engage stakeholders, clearly defined

enterprise development criteria and necessary fields of activity.

4. Cultural entrepreneurship environment is formed and determined by the stakeholders, as the artists create the product contents, the audience (visitors, clients) approve the product's necessity, media provide its evaluation, attract attention and inform the audience, helping to reach it, the art scholars, critics and experts ensure professional evaluation within the branch context and motivation of work, while the 3rd party funding sources can ensure independence for the cultural enterprise, and cooperation partners give possibilities for developing ideas and artistic programme that would not be possible for the enterprise alone.

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KULTŪRINĒS ANTREPRENERYSTĒS VADYBOS VERTINĪMAS LATVIJĀ

Santrauka

Dvīdēsimt pirmajā amžījē kultūras antreprenieris pakeis antreprenierystes sampratu. Verslo antreprenieris veiklos rezultātus matuoja pelnu ir graža, o kultūras antreprenieris sekmę vertina pagal tai, kokiā itakā ji daro visuomenei ir pelnā bei gražā. Kultūras īmones veikla skirta daugiau nei pelnui gauti ir naudoja mišrius vertes verslo modeļus, kuriuose saderinami pelnā sukuriantis verslas ir socialinē vertē sukurianti struktūra arba komponentas. Todē svarbu īvertinti kultūrinēs antreprenierystēs valdymā, kad būtu tobulinamas jos efektyvums ir stabilitas.

Šio darbo tikslas yra apibrēzti kultūras antreprenierystēs valdymo matavimo īrankius ir īstirti suinteresuotujū šaliū dalyvavimo kultūras īmoniū Latvijojē supratimā.

Tyrimui buvo naudojama kokybinio tyrimo metodologija orientuota ī tyrimo problemā, kuri yra suvokiama per patirtiemi paremta intervencijā, galimybē pamatyti plačią perspektyvā ir īvertinti kultūras poveikį. Tyrimas pradētas sukūrus tikslinē, vadybininkū, dirbančijū Latvijas kultūrinēs antreprenierystēs srityje ir turinčijū bent penkiū metū darbo patirtį, grupē. 42 kultūras īmoniū dalininkai buvo apklausti interviu būdu (meno galerijas, nevalstybiniai teatrai ir koncertinēs organizācijas), apimant visus nagrinējamojē srityje Latvijojē dirbančius subjektus, tyrimo laikotarpiu nuo 2010 iki 2013. Tai pirmasis tyrimas, kuris matuoja suinteresuotujū šaliū dalyvavimā kultūras antreprenierystēje ir suteikia pagrindā īvertinti kultūras antreprenierystēs valdymo modelį.

Raktiniai žodžiai: kultūrinē antreprenierystē, kultūrinio antreprenierio veiklos tobulinimas, vadybos vertinimas, dalininkū īsitraukimas.