

THE URBAN CHALLENGE

HARNESSING CULTURE AS THE CITY'S ECONOMIC AND SOCIAL MOTOR



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How can a city leverage its culture to grow its economy when it's long on innovative ideas but short on entrepreneurial spirit? Professor Muñoz-Seca explains how.

SERVICES AND OPERATIONS • CULTURE •
ENTREPRENEURIAL INITIATIVE

How can culture fuel a city's economic and social development? How can young people with ideas be made to realize

that their ideas can be developed into business ventures? What conditions must be created for them to venture sustainably? Are cultural incubators the solution?

We felt that the answers to these questions would tell us how culture can drive economic and social development and so help us meet the challenge issued to us by a group of distinguished citizens of a certain city with a rich cultural heritage. Having reviewed the existing literature on the subject, these citizens thought that our research and approach could deliver ideas that might help them achieve their goal: to revitalize the city.

We analyzed the situation and reformulated the challenge in the following terms: If a city has a substantial base of innovative ideas but a lack of entrepreneurial spirit, how can culture help it develop economically? In the course

of our research in the cultural sector we have identified certain singular characteristics of cultural enterprises (see Table 2).

The cultural sector is clearly very powerful and can become a driver of economic and social development if certain conditions are met. Cultural enterprises must be understood in terms of the overall customer experience and can develop synergies by building ties with other sectors. The recent resurgence of Iceland, for example, is founded partly on culture as the engine driving employment creation in other industries.

Clearly, the only way to generate economic development is by creating competitive companies and managing them in such a way that their competitiveness translates into results. This calls for entrepreneurs who are willing to fight for their idea. But what can we do if there are no such entrepreneurs? In our work we have identified three features of the cultural sector that are very relevant to our challenge:

- **Every company, in whatever sector, starts out with knowledge gaps.** The entrepreneur will know a lot about some things, but not much



about others. This has encouraged the idea that business startups should be allowed to grow in a protected environment, or “incubator,” which will guide them until they are strong enough to fend for themselves. In the cultural sector, however, the incubator model is inappropriate. Most cultural innovators are not entrepreneurs. They don’t understand the world of business; it just doesn’t appeal to them. **To become cultural entrepreneurs, they need special educational support that will bring out the entrepreneurial drive in them.** This support will formulate the prob-

TABLE 1
THE ROLE OF CULTURE

In the 21st century, culture has a dual function as a generator of both economic and social development.

- **Economic development.** The cultural sector can become a driver of economic development by joining forces with other sectors to offer an integrated service portfolio. This will have a knock-on effect on businesses in general and will create fresh opportunities for entrepreneurship.
- **Social development.** Culture delivers knowledge and educates. It generates a sensibility and a capacity for esthetic appreciation that contribute to harmonious human development. It fosters a willingness to understand dissonance and perceive dysfunctions, which is vital for good management.

TABLE 2
**ART AND EFFICIENCY:
 A MANAGER'S VIEW OF THE
 CULTURAL SECTOR**

- Culture is a largely endogamous sector that lacks entrepreneurial spirit or the capacity to implement new ideas.
- The product (the cultural object) takes precedence over its impact on society and becomes an end in itself.
- Although cultural activities may be planned in such a way as to allow accurate forecasting, there seems to be no strategic reflection on the positioning of cultural institutions, the way they differentiate themselves, or their long-term objectives.
- The customer is taken for granted; there is no active customer management.
- Cultural institutions need new financing options to ensure their survival.
- Although technology is used to facilitate activities, there is no in-depth discussion of its potential to transform customer service.
- Nobody examines the actual service experience using a model of the structure of operations.
- Although a few institutions believe strongly in their "brand", most do not conceive of brand as a differentiating element in their activities.
- Talent management and development is one of the biggest challenges facing the sector.

Source: Muñoz-Seca, B. and Riverola, J., *When Business Meets Culture: Ideas and Experiences for Mutual Profit*, Palgrave, 2011.

blems of cultural entrepreneurship and open their eyes to the possibilities of a world they have never considered seriously before, populated with concepts that are completely foreign to them. Their interest will be aroused when they are confronted with specific problems which they must analyze from an unfamiliar angle. What gives focus to this learning process is having to overcome an obstacle that prevents them from pursuing their path or realizing a dream. The educational process must be tailored to the individual: it will be designed to create an awareness of the steps that must be taken in order to transform an idea into a sustainable reality.

• **Culture comes in many different forms, and the different areas of culture are apt to cross-fertilize one another.** Consequently, often the most productive solution is to run a variety of projects in parallel, so that they feed off one another. This triggers a huge release of creative energy and helps bring innovation potential to fruition.

• **Cultural venturing is a cooperative, not an individualistic enterprise, yet cultural innovators tend**

to be very uncommon individuals. So they must be helped to acquire the team work skills they will need in order to build a network of collaborators that will accompany them throughout their career. They need to learn to weave a network of connections. This will make them part of a synergistic, creatively self-reinforcing community.

Given these conditioning factors, our proposal is for the creation of a system that promotes innovation and fosters entrepreneurial spirit. This can be achieved through an educational process focused on ideas development and oriented toward cross-fertilization and cooperation, aiming to build a network of relationships between entrepreneurs. Any response to this challenge must be integrated and operational: integrated in the sense that there must be a synergy between the different actions taken, from educational activities to personalized coaching; and operational in the sense that the focus must be on action, on solving operational problems, so that every effort is concentrated on specific actions aimed at bringing out

TABLE 3
**12 BASIC PRINCIPLES FOR SUSTAINABLE ECONOMIC
 DEVELOPMENT AND SOCIAL HARMONY**

1. Companies, as the basic driver of the economy, are the main source of social wealth creation.
2. A company is competitive when it is best at something; and by being best it makes the whole environment in which it exists more competitive.
3. Service companies need a social environment in which to flourish.
4. SMEs are not balanced entities.
5. Customers are the main source of a company's current and future wealth.
6. The most important thing for the economy is to connect knowledge from different sources.
7. Companies develop, store and use knowledge: the ability to do this is the only source of competitive advantage in the 21st century.
8. The knowledge cycle in companies comprises the creation, storage and utilization of knowledge, so as to offer it to customers, packaged in goods and services.
9. Knowledge is the capacity to solve certain types of problems.
10. Managers should focus on the operational variables and controllable elements of the learning - or knowledge accumulation - process in companies.
11. The Service Activities Sequence (SAS) maps the overall structure of the process by which knowledge is transformed into competitive services.
12. Operational improvement - that is, the process of increasing a company's efficiency, attractiveness and unity - results from the use of knowledge for the production of goods and services.

hidden talent. This flowering of talent will generate sustainable wealth if it has economic and social support.

Our proposal brings together a life's work in the field of Operations. The basic principles of the proposal are described in Table 3. These principles have been the basis of the work we have done with a variety of institutions and companies, always seeking the same end: sustainable economic development that generates social harmony. The "city challenge" gives us the opportunity to crystallize our knowledge in a scheme that will make the city flourish – and also (why not?) leave a tangible legacy to the better world we all dream of for our children.

**THE ESDC INITIATIVE:
ECONOMIC AND SOCIAL DEVELOPMENT THROUGH CULTURE (ESDC)**

- The ESDC initiative aims to bring
- out the talent that lies untapped in a city, develop it, and give it a sustainable future. Our proposal is that the city create ESDC centers: brick-and-mortar centers in each of which a group of talented young people ("residents"), carefully selected from among the local population, come together to develop a cultural project that will generate wealth for the community.

The training will be based on problem solving. The educational method will be focused on teaching by doing, on setting challenges, on developing intuition, and on an integrated design proposal.

The conceptual framework for business development will be based on our research, as summed up in the basic principles shown in Table 3.

The ESDC centers will work to help residents organize their ideas and implement them in a lasting form. Each center will invite applications and conduct assessments of strictly practical projects aimed at designing, developing and constructing cultural objects or services for the general public, whether local or international.

The work done in the ESDC centers will be focused on action and will consist of tackling real problems in each hosted project. Projects will be hosted

**TABLE 4:
AN ESDC CENTER**

IS...

- A space where people are trained for action learning through solving problems, and where residents, over the course of their stay, may find answers to their structured problems and guidance on non-structured problems
- A place where all ideas are possible until proven otherwise, and where implementing ideas in the form of a successful service for customers is an obsession
- A center of excellence, with high standards of performance and results, working in a creative, cheerful atmosphere
- A generator of services for the world market
- A space that aspires to produce the 21st century's leaders in cultural services

IS NOT...

- A school embedded in the state system, with set courses and qualifications
- A business incubator
- An old-style business development center
- A system for making money out of other people's ideas
- A public institution serving certain people or political parties
- A university institution

for a maximum of four years. Residents will spend time working in a carefully disorganized environment to develop their creativity and their particular project and to acquire the skills for managing innovation.

The centers' training methods will be rooted in the classic professional schools or guilds, but updated to serve "brain force" rather than "work force." The ESDC centers will be trend-setting, internationally high-profile company development spaces that help shape the key ideas of project design. They will also perform a social function by training young people for action, so that after leaving the center they are capable of running their company indefinitely. Alumni will return to the center to serve as tutors to other young people, thus contributing to the development of the initiative and its personal legacy. This will help establish a powerful network that will add great value to all its members. ESDC must be self-sustaining, dependent only on its own resource-generating capacity and private sponsorship.

The detailed design of the ESDC initiative lies in the hands of the distinguished citizens of the city. Implementation will require the support of civil society and business. And the response will come from the efforts of society itself.

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