

## **INNOVATION IN THE CREATIVE INDUSTRIES – CASE STUDY OF AN EVENT PLANNING COMPANY**

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**Abstract:** *Creative industries have recently gained attention from economists and policy makers as they are said to contribute in a significant way to the economic and technological development of knowledge societies. In Romania there has not been too much talk about the way in which these industries are inserted in the larger chain of industrial innovation, nor about the particularities of their innovation processes which could provide interesting insights for the more traditional industries that are in need of a creativity boost. This paper seeks to fill this gap by offering a process view of business innovation in an event management company, which we argue has many of the characteristics encountered in organizations belonging to creative industries. Through an in-depth case study based on diary entries and interviews we uncover the way in which innovation is understood in this service sector and how this understanding is translated into repeatable business processes. Based on the review of the literature concerned with innovativeness in creative industries we have decided upon four important research themes: people, products, places and policies. By people we refer, first of all, to the entrepreneur who was asked to reflexively answer questions related to passions/interests, formal and non-formal knowledge and social capital in order to assess her entrepreneurial capacity for innovation. Also included in this category are the clients and the employees, which represent major players in the innovation process during different stages. Places are important because they are used in the definition of innovation: something new to someone somewhere, and also because they are regarded as a source of inspiration and a possible hindrance in the implementation of the desired event design. Products encompass the raw materials that are used in creating the flower arrangements and the general room décor as well as the technologies that stand behind them, while policies refer to national or local governmental mechanisms that seek to guide and fund innovation. These categories represent (f)actors that bring important contributions to the innovation process, while at the same time representing sources of major business risks for the event management company. The article follows the way in which these four items interact during the innovation process which was split into four stages: idea generation, negotiation of the idea, preparations for implementation and implementation of the idea. We conclude with the observation that innovation in event planning is human centered, the main referential system being based on the dyad company-client, a thing which has not been explicitly researched until now. Also we suggest that before trying to understand the way in which companies innovate, it is critical to undergo a thorough assessment of the entrepreneurs' perception of business risks.*

**Keywords:** *innovation; floral design; creative industries; small and medium enterprise; risk; entrepreneurship.*

**JEL classification:** M19; O31.

## **1. Innovation and Event Planning in the Framework of Creative Industries**

Creative industries are defined based on two criteria: creativity as an input and content or intellectual property as the output (Galloway and Dunlop, 2007). Nowhere in the literature regarding creative industries have we been able to find explicit references to event planning companies, and in this paper we argue that this service sector should be taken into consideration when analyzing creative industries. We also contend that studies of innovativeness in this sector benefit from the scientific findings published in the researches referring to innovation in creative industries.

Events are like theatre shows in the fact that there is only one chance to make everything right and then the experience is over and it won't be recreated in the same way ever again. These fleeting but powerful experiences are what event planners sell. Planning an event such as a wedding, baptism, funeral or a corporate Christmas party involves a blend of traditions and innovation that has to perfectly fit the requirements of the clients. Considered a standard of creativity because what she creates is the materialization of an idea or a dream, the designer is trying to make beautiful and useful objects, transmitting aesthetic emotions.

There are four prominent themes that are featured in the literature regarding innovation in creative industries: people, places, products and policies, and we will briefly present the main findings of previous research during this section to pick the categories then as research areas.

The locus of innovation in creative industries is both very close to the market and distributed inside a network of actors that contribute to the final product or service. Companies in creative industries have at their disposal multiple avenues for allowing clients to participate in the innovation process: (a) opening up the company's boundaries, (b) opening the product/service for co-creation, and (c) organizing identity convergence around products or services (Parmentier and Mangematin, 2012). Besides clients, companies in creative industries also work with project-based networks built on informal patterns of interaction which tend to repeat themselves in a series of projects and create semi-permanent ties (Daskalaki, 2010). These networks of collaborators are also quite mobile and fluid, reflecting the patterns of organizational learning as well as the socio-cultural developments in the industry (Daskalaki and Blair, 2003).

Place bears a significant importance in the study of creativity in these industries, as authors talk about clusters of creative enterprises (Lazzeretti, Boix and Capone, 2008) which make for vibrant creative cities (Hubbard, 2006; Hall, 2000) or rural settlements (McGranahan and Wojan, 2007). The point that these researchers make is that the sheer diversity of artists and innovators grouped around specific geographical locations enhances the creative potential of the entire region as members of this creative class (Florida, 2002) feed off each other's energy (Karenjit, 2012). Previous papers have also emphasized that locality can be conceived as a valuable source of innovation in terms of it offering visual raw materials and stimuli and a brand based on reputation and tradition (Drake, 2003). These trends of locally embedded economic relations appear not be threatened by the new advances in ITC; on the contrary, industries seem to be more inclined towards clustering than ever before (Karenjit, 2012).

In terms of policy, the main concern is to understand the nature of the creative sector (definition, boundaries, categories etc.), then to gauge the dynamics of growth of the creative industries, the links between the level of innovation in the creative industries and the traditional industries and to find ways to grow the creative industries as they seem to be important contributors to a nation's economic growth (Muller, Rammer and Thruby, 2008). As Cunningham (2011) says, creative industries represent a part of the service sector with a "crucial input into manufacturing on the supply side and a central role in shaping consumption trends and choices, [that] remains on the margin of innovation policy, planning and research" (p. 241).

## **2. Research Methodology**

This article presents the findings of an exploratory research based on an in-depth case study of a single Romanian SME active in the event management industry. We take a close look at the way in which innovation is enacted as a process which combines people, products, places and public policies. By people we understand the business owner, the employees and also the customers. Regarding the business owner our research questions were modeled based on the framework provided by Sarasvathy (2001): (a) who she is – her qualities, her passions, her dreams; (b) what she knows – her formal and non-formal education; and (c) who she knows – friends, family, customers, other business owners, etc. In terms of the employees, collaborators and clients, our research questions sought to find out the stages during which they become prominent actors and to map their inputs into the innovation process as well as the business risks involved in the implementation of new ideas for which they are responsible.

Places are important from several angles: first of all, innovation is place-contingent (i.e. we call innovation something that is new to a certain place); second of all, in this particular service sector, places serve as major sources of inspiration, but also as major hindrances for the implementation of new ideas.

Products are the results of the creative process, but they are also sources of inspiration, e.g. adapting natural or man-made objects from other domains to the event design. Here we also discuss the influence of technology on the available means to realize a certain vision: creative approaches in conceiving, developing, producing, using and recycling materials are important sources of innovation (EC, 2012), as well as new plant design and new techniques for maintain the freshness of the flowers and enhancing their features. Finally, policies provide support for innovative endeavors, while also providing guidance and hinting at what the future trends will be.

The aim of the article is two-fold: (a) understanding how entrepreneurs from the creative service sector view innovation and (b) how this translates into business processes. We collected information through in-depth interviews and also diary entries, as one of the authors is also the business owner.

## **3. Enrose - Company History**

The company under study is called S.C. Enrose Design S.R.L. (hereafter Enrose) and it was registered at the Bucharest Register of Trade in January 2012 as a new legal entity, although it had begun its activity in 2006 under another legal name. Enrose is run as a limited liability company whose sole proprietor is a young entrepreneur with a consistent background in Business Administration developed during a master program in Business Administration at the Bucharest University of

Economic Studies, a master in Entrepreneurship in collaboration with Anglia Ruskin University of Cambridge and, currently enhanced with a PhD research regarding women entrepreneurship in innovative services.

Enrose started as a workshop which offered high-quality dried flower arrangements in innovative shapes and containers as gifts or as decorations for different events. After a couple of years, spotting the opportunity on the market, the company expanded its portfolio to fresh-cut flower arrangements. Over the years, the entrepreneur noticed a distinct lack of good flower shops in Bucharest. After working in the floral domain and feeling that the demand was not satisfied, she saw the opportunity of opening a company with a new concept. This job offers her the possibility to earn a high-salary and also pursue her life-time passion for design and beauty, which suggests that this venture is a mosaic of life-style, salary-substitute and genuine entrepreneurship.

The expansion from flower arrangements to whole-event design came about naturally at the request of the clients because, as she argues, people usually prefer to buy everything from a single source and not waste time with multiple meetings and negotiations with different suppliers. The entrepreneur decided that the company had the necessary capabilities to pursue this market opportunity, especially due to their history and her recent organizing skills acquired after a one year course in Project Management. At the moment, they offer consultancy services for a large pallet of events like: themed parties, anniversaries, weddings, baptism parties, Christmas parties, corporate parties, concerts, product launching events (marketing events), trainings, conferences, fairs, trips, etc. from creating the concept until its implementation.

As regards their clients' profile, Enrose works with individuals to provide floral arrangements for holidays, birthdays, special events like weddings and graduations, etc. In addition, they look for long-term contracts with business buildings, hotels, restaurants and other businesses that need flowers delivered or arranged on a regular basis and which organize corporate events. These clients provide a more stable and consistent income flow and they also present an easy way to highlight the company's designs to other prospective flower-buyers.

#### **4. The Entrepreneur as an Innovator**

First of all, the entrepreneur sees herself as an avid networker, taking pride in her acquired interpersonal skills and abilities to form relationships and to facilitate the transfer of knowledge to improve coordination and control (in relationship with employees, suppliers, customers, potential customers). As in most creative businesses, a healthy network is deemed vital for the entrepreneurial success which is mostly built on valuable relationships and visibility. Another important skill that is useful when dealing with people is the ability to accept and embrace uncertainty and to take actions based on insufficient, unreliable or conflicting information. The entrepreneur also envisions herself as a flexible person who quickly adapts to changes and prefers to mold on the circumstances rather than try to control the unpredictable environment. These two characteristics, coupled with others such as self-confidence, responsibility, determination, integrity, curiosity, intuition, patience, and a sense of humor bring added value to her work and differentiate her from her peers in the industry, while also becoming imprinted on the company's organizational culture.

Besides these psychological characteristics, the entrepreneur is also involved in multiple activities for self-development such as teaching an "Entrepreneurial Culture" seminar for the freshmen students at The Bucharest University of Economic Studies, Faculty of Business Administration, which facilitates a constant exchange of ideas with young students. She is also a member of the Women Business Club which organizes monthly meetings and also publishes a magazine for business women and she is also asked to join conferences and talk in her quality of a young female entrepreneur to students and other entrepreneurs.

With a work ethic that would politely be described as "tireless", she works endless hours to make sure every event is perfect in order to meet her client's expectations and hers as well - she is often the hardest to please. One might think that after so many events, she is not so enthusiastic about the next one, but when you meet her, you immediately understand it is much more than a job for her. With a denomination like "Enthusiast entrepreneur, floral design lover, making events happen" one can see that there is a true passion underneath it all that keeps her restless until she sees the big event come to life. And passion always does the work. When she walks into a room, she does not see only the flower arrangements; she sees the layout, the flow, the linens, the signage, and all the other details that go into each and every flawless event. With an eye for detail, a commitment to her craft and a passion for bringing unique ideas to life, her mission at the end of the day is to orchestrate an unforgettable event that her clients will happily remember.

Besides this, an entire team of professionals is needed to work out each event. Designers and handymen work tirelessly, at all hours, to make sure everything fits into place. There are many hard workers on the team, many of whom the clients will likely never meet, that are 100% essential to the success.

## **5. Enrose's Definition of Innovation**

Innovation has always been related to the introduction of something new to a certain field, and the underlying newness has to be established in comparison with a certain referential system. For example, artistic innovation is defined in comparison to a referent which can be either: (a) all the other organizations in the field on a global span, (b) all the other local organizations, or (c) the history of the organization under study (Castañer and Campos, 2002). The choice of referential system should be coordinated with the purpose of the innovation study. If the global innovativeness of an organization is under scrutiny, then the cosmopolitan referent is the most useful, but if we want to assess the growing level of innovative change in an organization, it might be more useful to compare the level of newness of today with the historical past of the same organization.

In this article we are concerned with innovativeness as it is defined by managers of event design businesses and the results of the case study indicate that the most useful referential system is the one in which the two axes measure the newness of the design for the company and for the client. Paraphrasing Csikszentmihalyi (1990) we could say that "[innovation] is not an attribute of individuals but of social systems making judgments about these individuals" (p. 198) and, in this particular industry, the most important social system is the client base. Consequently, borrowing the terminology from the creative industries literature, we can state that most of the innovations described by the manager of Enrose have a hidden nature due to the fact that they represent tacit agreements between the manager and the clients based on a thorough knowledge of people's tastes and current fashion trends, they involve

the users' preferences in the design process and some of the production solutions are one-time innovations that might not necessarily be picked up by the company or are non-transferable to other situations (Miles and Green, 2008).

The fact that the main referential system is based on the dyad company-client is reinforced by the fact that the entrepreneur sees innovation as "a new method of doing things that has a positive impact on the quality of the client's life. The purpose of innovation in event organizing is to transform moments from the lives of normal people in larger than life experiences... To be innovative is to engage in continuous improvement of your client's lives." This interview extract gives innovation a very humane orientation, a trend which is also encountered in other industries where design is said to be dictated by users' needs and preferences (Giacomin, 2012).

In terms of comparisons of innovativeness among companies from the same industry, the main factor of concern appears to be the level of investments in logistics or event-production facilities such as high-end and fashionable furniture and fittings, table clothes and tableware etc. which are seen as indicators of the degree of coordination with leading global trends, thus innovativeness. This type of innovation is clearly expressed in the company's financial documents and it is easily observable by external parties. Therefore, we can talk of the double-sided innovation that is based, on the one hand, on large financial endowments for a trendy inventory and, on the other hand, on the creativity enacted in the process of satisfying each client's requests.

## **6. The Creative Innovation Process**

### **6.1. The generation of an idea**

'Event design' is not a pretentious phrase; it stands for the harmonious result of the meticulous thinking of the designer who sought to incorporate the client's needs into a unitary vision. The world of floral design offers stunning scenery and countless rich sources of inspiration. All successful entrepreneurs in this field share a passion for flowers and a free creative spirit, but these are often not enough. Best floral designers also have a sound knowledge base, and a desire for training and continuing professional development, which sets them apart from amateurs and beginners. The end result is to promote knowledge that will lead to the creation of floral designs and to the preparation of a floral and event design business characterized by ethics, professionalism and total commitment to the clients' dreams.

The process of idea generation is based on a mixture of different sources of innovation. First, there is the person of the entrepreneur who continuously seeks knowledge. Reading books, taking leadership, negotiation techniques and public speaking trainings and participating at business conferences and artistic events are just some of the means through which she enhances her creativity. Secondly, the entrepreneur invests most of the company's profits in acquisitions of up-to-date equipment and technologies which are in accordance with recent trends in decorations. Thirdly, in order to become a pioneer in the event design, she collaborates with experts in the field and in connected fields (architecture, construction, arts and music, marketing agencies). Participation at conferences and workshops held by experts in event management enhances the entrepreneur's capacity for innovation, and these events constitute an important networking opportunity.

Working closely with the clients is one of the major sources of inspiration for new ideas, but this involves also certain kinds of risks. Although clients that are highly motivated but with a limited knowledge of technological possibilities are more prone to introducing radical ideas than the company's designer (Kristensson and Magnusson, 2005), that same lack of knowledge might induce a stretch beyond the company's production capabilities and the manager then runs the risk of either disappointing the client during the negotiation stage or after the implementation stage. Face-to-face communication may be particularly important for the transfer of knowledge; everything is best explained and demonstrated in person. Finding ways to meet customer desires in an attractive manner and taking care of the budget in a timely manner is always a challenge for the event manager.

Another constraint that leads to innovation is the nature and space and this is because an event has to be perfectly fitted in the scenery or a specific event hall. Most of the times, the event design needs to be adapted to fit these natural or man-made shapes in order to be appealing to the beneficiary.

## **6.2. Negotiation of the idea**

In selling ideas and concepts to her customers she makes use of the following techniques: presenting the features with an emphasize on the benefits, showing flexibility to the budget they want to invest in their event, making visual boards and sketches or even live demos for a better understanding of the final outcome. For example, if she wants to recommend a live band for an event, then she could invite the client to one of the band's performances in a different venue to really feel the atmosphere. Or she might do a demonstration for the wedding bouquet or for the table center piece to have a clear representation of the color scheme, textures and materials to be used. These methods also diminish the resistance to the initial proposals. The entrepreneur is often met with resistance to new trends, techniques and technologies coming from customers and until they adopt the new ideas it takes time and patience.

Another important aspect is the negation that leads to a final agreement and the signing of a contract. In this particular phase, there is a risk that other decision makers appear and impact the progression of the project and this is where she makes use of her adaptability skills. For example, she might discuss with the bride all these aspects, but the decision power might be held by the groom. Or perhaps the godparents have a decisive say in the end, and she needs to detect these threat early on and concentrate on convincing the person that will have the final say.

## **6.3. Preparations for implementation**

This and the last stage are the periods during which multiple on-the-spot solutions are given to "everyday problems" which shows that innovation has a planned dimension and a spontaneous one. The spontaneity of the innovation is visible only from the position of a practitioner: in this case, the workers and the managers. During this stage the network of professional gets activated and every task is allocated to an individual or a company, while the manager acts as the conductor of the orchestra. Most problems arise from lack of coordination between parties or misunderstandings in knowledge transfer. This stage can be very long and it represents the time when the entrepreneur sets things in motion and starts investing time and money into the actual event plan. As most of the guidelines for the event have been set during the previous stages, now innovation can arise as a solution to

mundane or unforeseen problems, thus being required by the circumstances and by the desire to accomplish the set goals. This is the stage during which unforeseen events can ruin the whole process of careful planning, such as a relative interfering and offering another venue and a different event planner, a marriage proposal being canceled etc.

#### **6.4. Implementation of the idea**

This stage usually takes a couple of days, and it represents the most difficult task and the most challenging part of a project. It requires flexibility, coordination, team work, time management, and physical endurance. For the entrepreneur it is of utmost importance to register the clients' feedback and she makes use of post-event phone calls or other means of contacting the clients to get their input. For the learning stage in the innovation process, implementation is highly important because it provides customer validation for certain initiatives and the feedback necessary for the entrepreneur to know which aspect should become company policies and which should be dropped.

#### **7. Conclusions and Future Research**

One of the main findings is related to the referential system that is in use in the event industries which is based on the dyad client-company. This is something unusual because most of the literature on business innovation compares the companies from the same industry and does not take such a relational approach. The innovation paradigm that we propose puts emphasis on a number of research questions: Is innovation threatened by copying or is it protected by its hidden nature?; b) Is this sector of the economy innovating at a different pace than the manufacturing sector?; and c) Is there a need to uncover the innovation process in this sector so as to provide insights for manufacturers looking to achieve artistry in mass customization?.

Next, we uncovered the fact that innovation is a process that is concomitant with risk assessment and risk mitigation and that a greater understanding of the innovation process has to start from a thorough research on the perceived business risks and the ways in which the introduction of something new modifies the risk-portrait of the company. Most important are the risks associated with the fact that most creative companies provide 'experience goods' which the client can't try before acquisition and whom bring clients a degree of satisfaction that is utterly subjective and intangible. Therefore, the study of the risks involved in innovation may turn out to be the perfect recipe for unraveling the nature of the innovation process which is not as linear as it appears in retrospect (Green, 2008), but rather sinuous and continuously changed by internal and external factors which for the company can be regarded as risks.

In terms of policies, there is a clear lack of government support for innovation in this particular field of the creative industries and we propose two methods through which the system of R&D could help develop the quality of events in Romania: a) universities should be supported by national funding to create research centers in partnerships with event planning companies and b) introduce in their curricula aspects pertaining to innovation in the creative industries, especially in the case of business schools and liberal arts universities, but also technical universities.

Because it was a single case study analysis, the conclusion drawn in this study could be further enhanced by a more thorough research which would seek to discover if

the same definition of innovation applies to all the companies in the industry or there are multiple ways of seeing and enacting innovation inside the same industry. Also, there is a stringent need to research the role of female entrepreneurs in innovative domains, and this is going to be covered by one of the authors' PhD research thesis.

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