

# CREATIVE ENTREPRENEURSHIP: NATURE AND SUBJECT MATTER

CHESNOKOV P. VALERI

St Peterburg State University of Service and Economics Suktuvkar branch, Komi,  
Russian Federation

**Abstract:** *The present article discusses entrepreneurship as a type of economic and behavioral human activity in its interaction with such categories as creative art and innovation. According to the author, an entrepreneur is fated to be a creative and proactive person. To support and prove his position, the author uses scientific papers of such scholars as P. Drucker, B. Karloff, J. Schumpeter and others.*

**Keywords:** *entrepreneurship, creative art, innovations, thinking, entrepreneur's personality.*

Entrepreneurship is a complex and multi-faceted phenomenon distinguished by a few features. The most essential ones are as follows: focus on obtaining business profit, relation to organization and management of economic processes, association with risk, initiative, and innovative nature of activity. These attributes 'accompany' entrepreneur business along the entire path of its formation and development. However, various facets and characteristics of entrepreneurship approve differently at various stages of the economic evolution in the society: Some of them become 'entity dominants,' while others back out for some time.

The innovative nature of entrepreneurship is one of its basic attributes. The innovation component can be found in every manifestation of entrepreneurship business, even in rather routine cases. But in certain periods it becomes the principal entity of entrepreneurship both in specific areas of economic activity and economy in general. It is determined by innovation-and-investment cycling and its relation to economic, as well as invention and research cycles. At the stages of revival and expansion of the innovation-and-investment cycle, the innovation dominant of entrepreneurship gives rise to the illusion of a fundamental change in the essence of formerly routine entrepreneurship and the onset of a new age in economic practice. The scientific reaction to the respective metamorphoses of reality manifests itself in active generation of categories, introduction of 'creative,' 'innovative,' 'constructive' entrepreneurship categories in science.

With the present aspiration for providing these categories with special meaning and using them to indicate particular aspects of the entrepreneurship innovative component, they actually denominate a consistent socio-economic phenomenon: a historically logical, regular change of requirements put forward to entrepreneurship by the economic system. During formation and expansion of new technology patterns entailing the economy restructuring, a routine entrepreneur who knows the conventional manufacturing environment and product sales and manages the company proficiently in a relatively stable economic environment is replaced by an absolutely different type of economic processes organizer. Rather a marginal figure of entrepreneur comes to the foreground: one who would sometimes have no

traditional professional training and possess a vague socio-economic image. The very role of entrepreneur at this stage loses its immediate relation with proprietorship and power; it is mainly associated with the behavioral model predetermined by a few peculiarities of the respective individuals.

The new carriers of the entrepreneurship value may have most diverse social backgrounds: managers of average-size and small companies servicing larger corporations; technical experts; qualified workers; research workers; individuals who are completely disassociated with this kind of activity. However, they are distinguished by their creativity, advanced intuition and imagination, original ideas or willingness to accept those, ability to mentally cover all phases of the innovation process: invention, innovation-and-investment activity, product distribution, and technology. In other words, we refer to those individuals who possess the ability and aspiration for initiating the innovation process.

Mobilizing such people in the economic system (providing conditions for engagement into entrepreneurship business) and using their creativity is implemented by modification of entrepreneurship as an economic phenomenon. Particular features dominate in it, which allows us to speak about creative (constructive and innovative) entrepreneurship considered both as process and mindset.

According to the American researcher P. Drucker, entrepreneurs are neither capitalists in its literal meaning, nor investors, nor employers, since entrepreneurship is a behavioral feature determined by identification of business opportunities and ability to use those [1, pp. 36-37]. If we consider entrepreneurship not as an individual's socio-economic image but as their behavioral feature (ability to relate identification of business opportunities and ability to use them), entrepreneurship has a lot in common with creative art. The definitions of 'art' suggested by B. Karloff and N. Berdyaev are similar and testify to the alliance of its major content and Schumpeter's concept of entrepreneur's essence: 'Art is the ability to integrate discrete elements of knowledge into new combinations unknown before' [2, p. 26]. 'Art is always growth, addition, creation of something new, unknown to the world' [3, p. 203]. Sharing J. Schumpeter's idea that the main cause for economic development is new combinations of manufacturing factors, B. Karloff made a lot more radical conclusions regarding the innovative disposition of the entrepreneur: 'My hypothesis is that the competitive aspect is of secondary importance for the entrepreneur, while the creative aspect – searching for paths leading to better satisfaction of needs – acts as the genuine driving force for their needs' [3, p. 68]. The focus is shifted from the competitive aspect of activity towards the creative one, from the techno-economic aspect to the socio-economic one. The sphere of creative entrepreneurs' interests is considerably wider, inner motivation is considerably more complex, thus they have a lot more freedom in their aspirations and actions. Apprehensible presence of the creative component in their activity is largely determined by brainwork which acquires a more natural combination of logic and intuition, i.e. brainstorming.

The process of brainstorming combines the rational form (conscious mental activity) and intuition (subconscious activity). This is where one of the major laws of dialectics applies – the law of transition from quantity to quality. The individual solving a creative task accumulates information, combining the known facts by the rule of thumb, which represents the rational part of brainstorming. In most cases, a new idea would not emerge subsequently from the rational part. This is always a 'leap,' an insight expressing the intuitive side of the creative process running on the subconscious level. So, between the moment of emergence of an idea and brainstorming (accumulation of information), there always passes a certain period. In other words, the process of emergence of an idea is preceded by the rational level which is replaced by the creative one, and only then the logical link between the new knowledge obtained and the present factors leading to emergence of the new idea is built,

i.e. a regress to the rational level happens. Therefore, brainstorming does not replace the creative process but only streamlines its rational part, which positively affects intuition, allowing virtually any individual to deal with solving creative tasks in the relevant area. Brainstorming improves the individual's creative abilities, and it depends only on the individual how well they can be developed. There are certainly supergifted individuals with a naturally inherent talent. However, this is generally an exception, though it should be developed even then.

Under innovative economy, entrepreneurs come up with the desire to make their own contribution to the creative part of the process of making an innovation. They are not really satisfied by just controlling the efficiency of using the invested capital, promoting consolidation of business contacts, or improving competitiveness of the innovative product.

A creative entrepreneur is allowed to become a full-fledged participant of the innovation process by knowing the environment as a source of new value paradigms which can and should be used, as well as syncretism in consciousness, freedom of thought and art, aspiration for self-actualization and active personality.

Syncretism in consciousness assumes incorporation and attainment of organic coherence and interpenetration of various knowledge and experience, data from different sciences, traditions and customs of the past, present, and prospects for the future. Such acknowledgement of future development which originates in the present activity leads to re-evaluation of one's deeds and increased responsibility for the results of one's actions. That is why scientific thinking which tends to synthesis of disciplines and elaborated combination of heterogeneous views and experience makes the foundation for changes within the socio-economic system.

Freedom of thought and art: Independent creative thinking develops the ability to make bold conclusions, propose non-trivial hypotheses, make risky decisions, which – if based on syncretic consciousness – helps entrepreneurs optimize their creativity. Freedom as a fundamental mindset of the entrepreneur's behavior expresses itself in enhanced aspiration of the creative entrepreneur for equal cooperation with the inventor, as the innovation is being promoted.

Aspiration for self-actualization and active personality assumes search for the meaning of one's deeds and other people's actions, aspiration of individuals to comprehend their mission and the entire synergy of ties and processes in the world in their indivisibility. As a result, plain affirmation and digestion of facts are replaced by apprehension of their essence and impact. This means a more dynamic individual's activity in the economic and social spheres to attain their integration, and finally – the individual's cognition of himself, his features and abilities, as well as apprehension of potential ways for their optimal use both for himself and the society in general. In other words, the status of entrepreneur levels up from a purely economic entity to a key participant of socio-economic processes in the society.

Thus, a distinctive feature of creative entrepreneurship is a more proactive (as compared to conventional entrepreneurship) role in making impact on the market situation, as well as greater freedom in determining the manufacturing environment and product sales. Entering the market with a unique, breakthrough product (also applicable to a conventional product created under revolutionary production cost saving), the entrepreneur acts as a special demiurge of the market situation. The product price is not so strictly determined by the production costs. On the other hand, there is a dynamic impact on the demand; in fact, the process of generating new wants is underway (at the same time, the higher the wants, the more creative power has to be involved for satisfaction of them by all market participants), thus opening them for the consumer. Emergence of the idea, designing, production organization process, marketing studies determining which wants must be increased, and in

what scope, economic solutions etc. are fairly necessary costs of the executors' creative power for production of the required goods and provision of services. Therefore, market economic relationships are implemented through creative power of individuals occupied by all kinds of activity: from production organization to implementation of goods and services. These relationships can only be considered optimal when they enhance the viability of each specific subject and the society in general, i.e. if they advance the opportunities for developing the quality of life. This objectively brings about further growth of the people's creative activity, as well as generation and permanent expansion of new market niches, i.e. in a way, entrepreneurs determine the volume of market for their products themselves.

Such changes in the production and product sales environment provide for high profitability of business, which comprises a tenuous and at the same time a 'down-to-earth' objective of entrepreneurship. In its turn, entrepreneurship revenue of innovative businessmen is of a different nature than the profit of conventional entrepreneurs obtained on the basis of a scrupulous 'cutback' of costs (including compensation costs) or acquisition of factitious significant market powers. In spite of the fact that 'market-driven motivation' for innovative entrepreneurs is often of secondary nature, they are basically emancipated from the government to the maximum and objectively act as carriers of liberal principles in the economic development of the society.

That is, the harder it is to calculate chances for obtainment of profit, the more such entrepreneurship becomes similar to the way of activity determined by the desire to undertake something new, risky, implying output of creative power. The burden of creative power indirectly estimated by the size of salary is a lot harder to define than, for instance, material expenses (though material expenses depend on the burden of executors' creative power). However, they actually are a significant component of manufacturing costs for any product of labor. At present, many acknowledge the fact that the intellectual component of product manufacturing costs in the 21st century is not just major, but fundamental.

The next underlying feature of creative entrepreneurship is the innovative nature of activity during which the entrepreneur implements new technologies, generates new combinations of production factors, new products or revised ones having new features, and develops new markets. At the same time, innovative activity for creative entrepreneurs is a method of survival in competition, not the meaning of existence at all.

The notion of 'innovation' was introduced in the 1930's by J. Schumpeter who interpreted it as a change aiming at implementation and use of new kinds of consumer goods, new means of production and transportation, markets and types of businesses in the industry. The subject matter of innovation as performance of new combinations affecting the dynamics of economic development was defined by J. Schumpeter by way of the following typical cases:

1. Manufacturing of products not yet known to consumers or creating a new feature of a revised product.
2. Using a new method (means) of production, i.e. new workflows not yet known by this industry, which are not necessarily based on an invention or discovery and which may also consist in improving commercial use (purchase-and-sell technology) of this product.
3. Obtaining or using a new source of raw materials, semi-products, irrespective of the fact whether the raw materials existed before but were not used for some reason or had to be generated anew.
4. Systemic transformations of the manufacturing structure or re-organization of its administration by means of establishing a company in order to ensure the monopolistic position in the market.
5. Sales promotion at new target markets where these goods or industry have not yet been represented [4, p. 159].

It is important to highlight that according to J. Schumpeter, the entrepreneur is a leader acting aggressively on the basis of information and knowledge. By this scholar's definition, we should call entrepreneurs '...economic entities whose function is implementation of new combinations and which act as its active element' [ibid. pp. 169-170]. This said, knowledge is not necessarily a product of new discoveries or inventions. The novelty consists principally in a combination of certain factors which didn't exist before.

J. Schumpeter's ideas about the role of entrepreneurship in performance of innovations were also developed in papers of many modern foreign and domestic scholars. For instance, P. Drucker notes that innovations are a special tool for entrepreneurs, a means by which they use changes as a favorable opportunity for performing their conceptions in the sphere of business and services [10]. Therefore, entrepreneurs' objectives also include targeted search for sources of innovations, as well as modification of their characteristics pointing at the possibility of reaching success.

Entrepreneurs are distinguished by the innovative type of thinking. Innovativeness is a special tool of entrepreneurship which aims at inbreathing new features into the present resources in order to create goods. A resource does not exist per se until a human being finds something useful in nature and provides it with economic value.

Creative entrepreneurship as a process consisting of eight stages, which is twice as many as conventional entrepreneurship:

- generation of innovative ideas;
- selection of the most prospective ideas;
- detailed elaboration of the conception and its expert evaluation;
- elaboration of the business plan details regarding the selected ideas;
- expert evaluation of the business plan;
- pilot production of goods and testing under market conditions;
- adjustment of the manufacturing design and promotion of goods in the market;
- commencement of product mass manufacturing and its promotion in the market on the basis of the adjusted design [5, p. 14].

The first stage – search for new ideas – is of key importance for creative entrepreneurship. Running an entrepreneur business is always based on some idea. The foundation of an entrepreneur's idea is activity, decisiveness, and a thoroughly elaborated innovative initiative encompassing either part of the manufacturing process or the manufacturing process on the whole. Thus, an innovative idea can be defined as a factual opportunity for producing an original item, service, or their improved versions. For an entrepreneur, it is essential to determine sources of information for innovative ideas.

Innovations may be generated in various forms. A few decades ago, there was a discussion about what was primary in creating an innovation: discoveries and inventions or market requirements. The first theory was dominant in the 1950's and considered the research-and-technology component as the primary factor of innovation emergence: scientific discovery first, then emergence of a market need, then commercialization of the discovery. The second theory appeared in the 1960's and suggested an opposite sequence: emergence of a market need first, then research-and-technology solutions on its implementation. Later it was apprehended that it would be an extreme simplification to oppose research-and-technology and market sources for emergence of innovations. In reality these processes interact.

Later studies demonstrated that sources for innovations are quite varied. The sources may be represented by knowledge about the market and its needs; generation of new technologies and materials; existing structural gaps in supply of certain goods, as well as scholars (if they deal with inventing or searching for new materials, commercial features which may bring

about generation of original or improved goods or services), competitors (whose activity may thrust the entrepreneur forward to formation of his own innovative idea), sales representatives, or personnel.

While identifying sources for innovative ideas, one would be interested by P. Drucker's classification defining seven such sources:

- an unexpected event (for a company or industry – an unexpected success, an unexpected failure, or an unexpected external event);
- noncongruence – discrepancy between the reality as it is and our interpretation of it;
- innovations based on a need of process (under a need of process, we mean 'bottlenecks' which can and should be eliminated);
- sudden changes in the industry or market structure;
- demographic changes;
- changes in perception, mood, or system of values;
- new knowledge (both scientific and non-scientific) [5, pp. 48 – 49].

According to P. Drucker, the innovation process is purposeful and organized search for changes, as well as systematic analysis of those changes as a source of social and economic innovations. The first four sources of innovative ideas are referred to by him as internal, since they are within the company, industry, consequently, those sources are available for people working for this company or industry. The remaining three sources are referred to as external sources, since they arise beyond the given company or industry. However, there are no clear boundaries between all sources, therefore they may overlap.

Summarizing it, we can note that the scientific component in the list provided just takes some place in it alongside with other sources. Nevertheless, the impact of science and technology should not be understated, because many of those sources also assume a research-and-technology component in them.

In a developed industrial society, it is extremely rare that invention, implementation, and distribution are performed by the same individual. The author virtually never comes into direct contact with the consumer (this was characteristic of natural economy, when the author was a producer and salesman at the same time). Organization of market relations assumes that between the author and the consumer there are always quite a few intermediates occupied mainly by the job of manufacturing and then marketing the goods from the producer to the consumer. This imposes special responsibility on them for the final result, in particular, if the item can become a product and find its consumer. As it is known, a market situation around a product is created only when four components are present: manufacturing – means of communication – trade – consumer. The transition to the society of mass production and mass consumption has objectively caused the need for development of mass communication, which forms a significant network of the intermediates mentioned between the author - discoverer) source of creative power - and the consumer experiencing the lack of this power which is required for implementing the task of satisfying a certain life-supporting need.

As a result, different personalities are involved at various stages of the innovation process, and each of them possesses certain abilities and skills. At the same time, presence of various types of creative personalities at various phases of innovation points at differentiation of labor between the participants of the innovation process. Their innovation competence varies, but each has to perform certain creative effort within it to implement it, i.e. creation penetrates through the entire innovation process.

Finally, establishment of creative entrepreneurship transforms proprietary terms considerably, shifting the focus in assertion of the accessory and provision of protection

from conventional objects (natural resources and capital assets) to the sphere of ideas, scientific developments, economic and technology information.

As a result of the innovation activity related to research and development, design and experimental work (R&D), innovations are generated and implemented in the market, and their developers accrue copyright and associated rights. Besides, there also emerges such a legal notion as intellectual property [6]. Therefore, creative entrepreneurship should be considered from the viewpoints of object and subject of the innovation process which ensures a combination of resources (material, labor, financial, information) in such a way that their cumulative consumer cost increases. The process of combining these resources can be performed either by the owner or non-owner of intellectual property. However, with the development of the patent and license school, the interconnection of innovative entrepreneurship and intellectual property weakens. In this regard, new, most flexible and efficient organizational forms of innovative entrepreneurship are of special importance.

## REFERENCES

- [1] P.F. Drucker. Рынок: как выйти в лидеры. Практика и принципы: translated from English / P.F. Drucker. – Moscow: Book Chamber International, 1992. – 351 pp.
- [2] B. Karloff. Business Strategy / B. Karloff. – Moscow: Ekonomika, 1991. – 239 pp.
- [3] N. Berdyaev. On Human Mission / N. Berdyaev. – Moscow: AST MOSKVA: KHRANITEL, 2006. – 479 pp.
- [4] J. Schumpeter. Economic Development Theory: translated from German / J. Schumpeter. – Moscow, 1982. – 455 pp.
- [5] Друкер, П.Ф. Рынок: как выйти в лидеры. Практика и принципы: пер. с англ. / П.Ф. Друкер. – М.: Бук Чембер Интернешнл, 1992. – 351 с.
- [6] P.I. Ratanin. Innovative Entrepreneurship During Transition to Market Economy in Russia / P.I. Ratanin. – Moscow: Izvestiya, 1993. – 173 pp.