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Cultural and communication industries: Myth and logic of the terms creativity and entrepreneurial innovation

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Abstract

Introduction: Politicians, economists, diverse institutions, including the university, advertisers, and the media repeat in their discourses, over and over again, the mantra of entrepreneurship and innovation as sacred formulas that can put an end to the economic, political and social crises in which the globalised world is immersed. This article aims to clarify the myth and logic of these concepts, based on the case study of the cultural and media industries. **Methods:** The study is based on the Socratic method. Bibliographic and hemerographic analyses were carried out to answer the following questions: What are the different meanings associated to the terms creativity and innovation? Which of the different meanings that are associated to the terms creativity and innovation do public and private authorities refer to in these times of crisis? Why? Which are the valid meanings? How can the case study method be applied to the cultural and media industries in this regard? **Results:** The case studies show that the true meaning of the terms creativity, innovation, and entrepreneurs have little to do with the meanings mostly invoked by the public and private powers. **Conclusions:** the critical analysis puts into question the different theoretical contributions that identify extraordinary mental processes as the basis for acts of creation and innovation. Anyone who knows the workings of the cultural and media industries and their political, economic and social environments can come up with a creative solution to a problem if this solution involves a previously unknown method. In other words, this is the logic of the entrepreneur who creates and innovates in any of the seven areas of opportunity identified by Drucker: the unexpected; the incongruity; the innovation based on process need; changes in industry and market structure; demographics; changes

in perception, mood and meaning; and new knowledge, both scientific and non-scientific. The article explains these areas of opportunity based on the case studies of the cultural and media industries.

Keywords

[EN] Myth and logic of innovation; entrepreneurs; areas of innovation; economic, political and social environments; cultural and media industries.

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Translation by **CA Martínez-Arcos** (Ph.D. in Communication from the University of London)

1. Introduction

Technological advances –such as radio, television, computer equipment, internet and mobile devices– have allowed people to get access to many diverse points of view that put into question all the concepts, and this has enabled the establishment of a cultural relativism that is based on the confusion of language. This uncertainty about language has been most evident during the political, economic and social crises that the globalised world is facing and goes against the knowledge and reflection required for the development of critical thinking.

For years, words such as creativity, innovation and entrepreneurship have been commonplace in the discourses of politicians, the media and economists. At first, the accent was put on the need for research and development (R&D), and later this formula was completed with innovation (R&D&I).

The economic crisis, which goes back to 2007, seems to have broken the R&D&I sequence. The Spanish Government speaks of the need to carry out economic restructuring in key sectors such as information and communication technologies and innovation. This intention is reflected on the proposal presented by the Government of Catalonia on 13 March 2012, through a press release titled “the Government sponsors the programme ‘Entrepreneurial Catalonia’ to promote entrepreneurship and the creation of sources of employment” (*El Govern impulsa el programa ‘Catalunya Emprèn’ per fomentar l’emprenedoria (sic) i la creació de llocs de treball*). Among other things, the press release points out that: “part of the actions of this programme, focus on the different stages of education (compulsory education, higher education and vocational training), on society and the public opinion to promote the entrepreneurship, in order to increase people’s desire to create their own companies”. Subsequent interventions have continued to promote the same discourse.

Other institutions, such as universities, have also adopted this discourse. For example, as mentioned in its website, the Autonomous University of Barcelona, an international Campus of excellence, is committed to the generation of knowledge and innovation.

Even the advertising language of companies has adopted this discourse, which echoes the mantra of entrepreneurship and innovation as sacred formulas which, repeated over and over again, will invoke the unknown forces that will put an end to the economic, political and social crises faced by the globalised world.

But what is the meaning of the words creativity and innovation? If there are several meanings, which one of them are public and private authorities referring to in these times of crisis? Why? Which one is the valid meaning? How can the case study method be applied to the cultural and media industries in this regard? To answer these questions, this article discusses the most significant contributions that have been made in this regard, dividing them in two groups that reflect, generally speaking, the two different approaches of the analysis:

- The myth of the creative and innovative genius.
- The logic of the entrepreneur who creates and innovates.

The first section analyses the fallacies of the genius, creativity and innovation, while the second explains the reality that must be analysed by the innovative entrepreneur and the criteria that may lead to the materialisation of ideas into new business innovations in the cultural and media industries. Finally, the article identifies some of the limits and obstacles that will have to be overcome by the existing and new companies that seek to innovate in this industry.

2. The myth of creativity and entrepreneurial and innovative culture

Traditionally, the word genius has been used to refer to the bearers of an exceptional personality and intellectual faculties, and their creative and innovative creations were supposed to be the result of an act of illumination. Despite the fact that, since World War I, the idea of the inventor's illumination gave way to the concept of research, the idea of the genius is still strong, maybe because it is difficult to break up with the romantic reminiscences that exist in this regard.

Weisberg (1989) proposes that anyone can come up with a creative solution to a problem, if the problem in question is solved with a hitherto unknown method. The author points out that this idea is based on the incremental nature of the creative response, which is at odds with the traditional conception of creativity (and innovation), according to which great creative impulses or leaps in the understanding capacity are caused by extraordinary cognitive processes. Based on this premise, we put into question the various theoretical contributions that argue that 'extraordinary mental processes' are the basis for acts of creation and innovation.

This section will be based on the broad and comprehensive study carried out by Weisberg and will cover the most significant aspects of this work to clarify the matter that concerns us: the myth of creativity and innovation. The list of references will include the works of each of the aforementioned

authors to facilitate the identification of such references, although the works of these and other authors are collected in Weisberg's book (1989).

First of all, Weisberg's book a critical analysis of the idea that an extraordinary creative and innovative work is the result of unconscious thought processes, capable of establishing associative connections that the ordinary conscious mind does not have at its disposal. The original and innovative idea seems to come to the creator in a leap of intuition that does not seem to come from events that take place in the environment, nor, from the conscious mind. This concept has been the basis for several theories, including the incubation and bisociation theories.

According to Wallas (1926), all acts of creation involve the following four phases: preparation, incubation, illumination, and verification. In 1913, Henri Poincaré pointed out that in order for multiple ideas to be activated, an initial phase of conscious work on a problem was necessary and fundamental, and formulated the theory of *incubation*, which points out that original ideas come up after a period of unconscious thinking, since it directs the combination of thoughts, judges the value of each combination and transfers to the conscious mind the more valid combinations for the solution of the problem in question.

The theory of Arthur Koestler (1964), which is based on ideas of Wallas and Sigmund Freud and opposes the concept of *association*, which refers to previously-established connections between ideas, proposes the term *bisociation* to explain the process by which connections between previously unrelated ideas are established, which is the basis for all creative acts. In other words, this theory proposes that the emergence of original ideas is a consequence of the combination of other ideas, according to forms and procedures that are not attributable to the conscious mind.

Based on lab tests and experiments, Weisberg (1989) argues that the theories of *incubation* and *bisociation* should be dismissed as none of them has a solid basis and cannot be confused with the automatic processing of well-learned habits.

Secondly, Weisberg (1989) devotes a chapter to explain the theory of the Aha! moment, which has nothing to do with previous experience, which actually has to be abandoned to produce creative thoughts. In other words, the solutions to new problems occur thanks to leaps of intuition. The contributions to this theory include those made by Gardner and Gestalt. The conception of the Aha! moment, or *eureka effect*, is made explicit in Martin Gardner's book of the same title (1978: vi-vii). This book "is a careful selection of problems that seem difficult, and they truly are, if we employ traditional methods to solve them. However, if we set our imagination free from ordinary problem-solving techniques, perhaps we make ourselves receptive to an Aha! moment that leads to a solution". This form of creativity is based on the idea that the rupture of the creator's previous experience is necessary to enable the discovery of the spontaneous solution to problems.

In part, this was the starting point of the studies carried out by psychologists from the Berlin School of experimental psychology, *Gestalt*, created in 1912. Their contributions opposed associative theory, which was dominant at the beginning of the 20th century, and proposed that new problems were solved through the transfer of associations of old ideas to new situations. For them, the so called *productive* (creative) thinking, i.e. the creation of something new to solve a problem, is clearly

related to perception, because it does not depend on previous experience. These psychologists distinguished between *reproductive* and *productive* thinking: the first simply summons or reproduces past experiences to solve a problem, while the second creates something new.

Weisberg (1989) concluded that there is little evidence to affirm that creative problem solving has more to do with leaps in intuition than with the innovator's past experiences, because lab experiments do not show unconscious processes are involved in creative and innovative thinking, and entrepreneurs solve new challenges based on what they already know, by adapting their knowledge to new situations.

Thirdly, in the 1950s the foundations were laid for the theory and the research aiming to teach individuals to think creatively. Creative thinking theory assumes the existence of two types of thinking: *convergent* and *divergent* thinking. The latter type is the basis of creative activity. On the other hand, the method used to facilitate *divergent* thinking relies on various techniques, of which one of the most used and known is *brainstorming*. This theory and this technique have crossed the scientific frontiers and have been widely adopted by the media and diverse institutions and companies.

Scientific psychology had little to do with the birth and development of the industry of education and training in creative thinking, because only those psychologists dedicated to the establishment of methods for measuring the intellectual abilities of individuals collaborated in the design of *tests* to measure the aspects of creativity, which admitting the existence of the aforementioned two types of thought: the *convergent* and *divergent*. Guilford was one of the most outstanding representatives of this school of thought. He presented his theory in 1950, during his speech to the American Psychological Association, of which he was President. Later, Guilford developed the theoretical framework for the education and training courses in creativity and innovation, which brought so much fortune to various sectors, such as the business and industrial. Subsequently, different teaching methods for creative thinking were developed and practically all of them focused on the generation of possible solutions based on multiple or diverse ideas or *brainstorming*.

The *brainstorming* technique was invented by Alex Osborne (1950). It is based on the existence of two types of minds: the *judgmental* mind, which analyses, compares and chooses, and the *creative mind*, which visualises, provides and generates ideas. It is considered that all the people have both types of mind, but that the critical capacity needed to judge situations develops with age, to the detriment of the creative capacity that fades but can be recovered with *brainstorming*.

According to Osborne, the creative thinking is based on the free flow of ideas that will help to resolve, in a creative way, any specific problem. To this end, *brainstorming* sessions must follow four rules: criticism is permitted only when all the ideas have been produced; all ideas should flow, even the most extravagant ones, to overcome the barriers of inhibitions; what matters is the amount, not the quality, of ideas, which also contributes to the relaxation of inhibitions; and an individual's ideas must be combined with the ideas of others, and refined them with the knowledge and experience of each of the participants.

Since the 1960s, the industry of the teaching and learning of creative thinking not has stopped growing, and there has been a proliferation of schools and consultants in diverse fields, like the business world. One of the promoters of this industry, is the widely recognised Edward De Bono (1968), who believes that problems cannot be solved based on *logical or convergent* thinking which is based on past experiences. He proposes that, instead, we must use *divergent* or, as he calls it, *lateral* thinking, which breaks with thinking habits, in order to produce original ideas for the solution of a problem. Like its predecessors, Edward de Bono proposes that in order to promote creativity, the *lateral* thinking uses the *brainstorming* technique, without any criticism, to produce many ideas, whose effectiveness will be later determined by the *convergent* thinking.

The degree of dissemination of these theories and this technique did not prevent Weisberg (1989) from critically analysing them. He made clear that, although participants from the aforementioned industry are many and have managed to convince people of the effectiveness of these methods, with the use of media advertising, the controlled experiments show that: the *brainstorming* technique is not effective in groups of individuals; that the bigger the group, the greater the interferences among them; that it is better if it involves prior critical judgement; that creative solutions are the result of the same mental processes that are involved in other kinds of thoughts; and that therefore, *divergent* thinking does not play a fundamental role in nor offer original solutions to problem-solving. Weisberg adds that creativity and innovation in the solution of artistic, scientific, business problems, among others, is an incremental conception based on experience in which “creative thinking is not seen as an extraordinary way of thinking. Creative thinking can be extraordinary depending on what the thinker produces, and not on the style of production”.

3. The logic of the entrepreneurial and innovative culture and creativity

The previous reflections on the type of thinking used in creative and innovation processes can be summarised in the words of Gergen (2006: 318): “no progress occurs in a social or ecological vacuum”. In other words, “to be creative, the solution to a problem must meet two criteria: it must be new and it has to solve the problem in question” and this is only possible through logical or, as psychologists call it, *convergent* thinking (Weisberg, 1989: 182).

In the 1950s, courses on creative thinking began to be developed, as well as seminars on innovation and entrepreneurship, which were based on diverse theories. Drucker was one of the significant representatives of the studies on innovation, which is explained more as an economic and social term than a technical term. Drucker considered that a great innovation of the 20th century is “management, which is the ‘useful knowledge’ that enables managers to make people with different capacities and knowledge working together in an ‘organisation’ productive” (Drucker, 1994: 42).

For Drucker (1994: 45), “systematic innovation consists of organised goal-oriented search for change and the systematic analysis of the opportunities that they can offer for social and economic innovation.” Innovative entrepreneurs use it as a medium, as a specific tool to take advantage of the new opportunities arising from the changes in the company, the industry, and the economic, political and social context in order to create new businesses that meet the needs and desires of people, since

it considers management as a new technology that should be applied to all activities, both economic and social.

French economist Jean Baptiste Say coined the word *entrepreneur*, although in reference to the economic sphere, at the beginning of the 19th century. However, it was Joseph Alois Schumpeter who, in 1912, brought the concepts entrepreneur and innovation to contemporary economic analysis. Both terms have served to carry out a novel interpretation of the dynamics of capitalism. Schumpeter has argued that the innovations carried out by entrepreneurs are the central and strategic element in economic development and are the backbone to explain the process of the economic cycle, a subject matter that was expanded in *Business Cycles* (1939).

Schumpeter's innovation theory can be defined as the introduction of new combinations of production factors –materials, labour and capital– by the employer, to modify the previous production system. Entrepreneur and innovation, together, have to carry out a *creative destruction* of the stationary state of capitalism to initiate the process of development. Schumpeter used the term *innovations* to refer to the combinations that would irreversibly change the productive processes of companies, and sorted them out into five main, non-mutually exclusive, types: the conquest of a new source of supply of raw materials or half-manufactured goods; the introduction of new goods or improvement of the quality of the existing ones; the introduction of a new method of production, which does not have to derive from a technological discovery; the opening of a new market; and the implementation of a new form of organisation.

Schumpeter is cited, with greater or lesser success, by all those who have been involved in the development and teaching of methods and techniques on creativity and innovation for entrepreneurs, coming from diverse sectors since the “innovative entrepreneur is not limited to the economic sphere, although the terms originated there. Innovation is related to all the activities carried out by humans, and this is what defines the innovative entrepreneur: *always searches for change, responds to it, and exploits it as an opportunity*” (Drucker, 1994: 37-38).

In order to innovate, employers must analyse and plan methodologically the actions that they have to carry out, taking into account the opportunities and risks of the industry in which they want to develop the new activity, and must move their investments in low productivity and less profitable business to other more efficient and more productive fields. Entrepreneurs, therefore, must be attentive to the changes in the industry and the environment in which they are involved, analysing them systematically in order to find business opportunities.

Drucker (1994: 46) explains that “systematic innovation means the exploration of *areas in search of the opportunity to innovate*”. He establishes the following seven areas of opportunity for systematic innovation: the unexpected; the incongruity; the innovation based on process need; changes in industry and market structure; demographics; changes in perception, mood and meaning; and new knowledge, both scientific and non-scientific

The first four of these areas lie within the enterprise, either a commercial or public, the industry and the market, while the last three areas involve changes outside the enterprise or industry. These areas

of opportunities for innovation overlap with each other, so innovation may depend on several of these areas. Finally, they are placed in descending order of predictability and reliability.

The following sections describe and exemplify these areas with cases of innovation that have been detected in the cultural and media industries and companies.

4. Innovative entrepreneurship in the cultural and media industries

The environment in which each company operates is defined, generically, by the macroeconomic framework and, specifically, by the situation and evolution of the industry in which the companies develop their activity, as it is the case of the of culture and media industries. In addition, in business economics it is considered that the analysis of the dual economic and the industrial environment must allow for the identification of the opportunities and risks of the companies operating in a given industry. Therefore, these environments will demarcate the reach of businesses, including the culture and communication companies, conditioning their decision-making and the development of the different commercial functions –marketing, production, organisation and financing- (de Mateo, R.; Bergés, L.; & Sabater, M., 2009: 52).

In order to innovate companies have to take into account, therefore, the economic, political, social and technological changes, as well as the dynamics of the market and the culture and communication industry and their main tendencies, and to value the opportunities, risks and limits faced by cultural and communication enterprises.

Based on these premises, innovation ventures have been undertaken in the culture and media industry and some of them are analysed in relation to the aforementioned seven areas of opportunity for innovation proposed by Drucker (1994).

4.1. The unexpected: success and failure

External events and unexpected successes or failures tend to be symptoms, but of what? Of a change in market? Of a technological change? Of other changes that may occur? This is what the company has to discover and analyse in order to know what changes have to be undertaken to take the opportunity to innovate. However, while success may not be detected as an opportunity, failures do not go unnoticed and, therefore, cannot be ignored, even though many companies do not detect them as a symptom of opportunity.

A situation positively exploited by entrepreneurs has been the success of social networks such as *Facebook* and *Myspace*, which led to innovative entrepreneurs to create national social networks, within the scope of a single country, which achieved success and large numbers of users. This has been the case of such networks as *Tuenti* in Spain, *Wer-kennt-wen* in Germany, *Mixi* in Japan, and *51.com* and *Xianonei* in China.

This is also the case of social networks that were created with a national goal but, due to various reasons, became international. This is the case of *Hi5* in Mexico, Ecuador and Peru; and of *Orkut*, a social network that was created in the United States by a Turkish engineer, but became the leader in Brazil, which hosts about 50% of its users (17.5% of its user base is located in India). It is no wonder why, in August 2008, *Google*, the owner of *Orkut*, decided to transfer its management to Brazil.

Another example was the search for new business forms undertaken by the Japanese electronics company Matsushita, the owner of the Panasonic and National brands. (Drucker, 1994: 56). In the 1950s, the main Japanese companies producing TV devices, Toshiba, Hitachi and the small company Matsushita, knew that the Japanese market was very limited by the low purchasing power of its inhabitants. This led to the President of Toshiba to assert that 'television would not thrive quickly in Japan'. However, Matsushita directors noticed that Japanese farmers appreciated television because it was a window to the outside world. Therefore, instead of simply displaying television sets in the stores of large major cities, Matsushita created a network of door to door sales to convince farmers to forget about their scarce resources and buy their television, which meant progress and growth for the company.

4.2. The incongruity: expectation and reality

The perception of a business opportunity as a source of innovation can sometimes lead to approaches that include few questions about the objective of the innovation, which can make us step back and act more consistently with reality. Incongruity, more in qualitative than quantitative terms, is the dissonance between expectation and reality. It is manifested in various ways: the incongruity between the reality of an industry and the assumptions about the industry; the discrepancy between the efforts of an industry and users' values and expectations; and the internal incongruity of the company in its logic of production and operation.

There are companies that have returned to their previous form of organisation, after failing to reach the expected success. For example, the pioneering convergence strategy of AOL and Time Warner was motivated by the anticipation of the rapid expansion of broadband in American households (which did not happen) and the synergies that could be exploited between Time Warner's classic audiovisual content and cable operators and AOL's know-how and commercial influence on the internet. However, in 2002, AOL Time Warner restored control of the company to the oldest media executives and turned AOL into a division of its media and communications subsidiary (de Mateo, 2006: 26).

Another example is the convergence strategy undertaken by Telefónica Group, which started in 1997 but was never consolidated as it implemented a process of disinvestment in conventional media companies, and only maintained its investments in pay television and associated production, which conforms more to the business model of paid-for access to services. In 2004, while still holding these investments, Telefónica Group implemented a plan that focused on landline and mobile telephone services and internet, with an international vocation in its areas of influence (Spain and Latin America) and abandoned its previous diversification strategy (De Mateo, 2006: 31-32).

The change in the perception of the market of the Catalan daily newspapers can also be considered a business opportunity. Opposing the idea that in order for newspapers to reach important circulation they had to publish in Spanish, the Catalan edition of *El Periódico* also reached a remarkable success. Later, following the trend, *La Vanguardia* also published a Catalan edition in addition to the Catalan version. Moreover, these decisions allowed the two press companies to receive grants from the Government of Catalonia for promoting the Catalan-language written press.

4.3. Innovation based on process need

In this case, the source of innovation is the work and tasks that have to be performed, and not so much the situation. In the cultural and media industries, the emergence of new knowledge and technologies is leading to the substitution, perfecting and re-design of previous processes. Process need can lead to innovations that exploit inconsistencies. The opportunity coming from process need must be based on the following questions: What is needed? Do the necessary knowledge is available? Are the values and customs of users known? This is necessary to set the new target and identify the innovative solutions for the detected problems.

An example is found in the publishing industry which is experiencing notable changes in its business model, after the consolidation of the digital book as an object of distribution and consumption on the internet.

In 1995, *Amazon* started a new stage in the publishing industry: the distribution of physical books via the internet. In 2007, *Amazon* started to sale books in digital format, and managed to implement a business model based on the supply of books through a reading device, *Kindle*, which supports the exclusive distribution of its titles. Since late 2009, this device began to be sold outside the United States and, for the moment, is the most used e-book reader, which makes *Amazon* the best e-book seller in the world.

For its part, *Google Books*, after repeatedly announcing the opening of its digital library, and undertaking diverse judicial proceedings on the copyright of previously-digitised books that had been made available in public libraries, in late 2010 inaugurated its *e-book online store*. This store has some advantages over *Amazon*, in terms of the amount of content, distribution formats, and the diversification possibilities of the model of content sales and access. Unlike *Kindle*, Google sells its editorial content in .pdf or .epub open formats that allow consumers to use digital books in other reading devices such as *iPad*, *Sony Reader* and *Papyre*.

Another process-based innovation is the one made by Ottmar Mergenthaler, a German who immigrated to the United States and in 1884 invented the linotype machine. He founded a company to exploit this invention and in 1886 created a new Linotype that was tested with the printing of the *New York Tribune*, at the beginning of July of that same year. In the last third of the 19th century, there was an increase in the production of printed media (newspapers, magazines and books) due to a growth in literacy, developments in transport and communication, and changes in printing process, among others. However, typography had evolved little since Gutenberg's invention, so typographers still worked manually, slowly, costly and required advanced experience-based skills. Thus,

Mergenthaler defined 'the need': a keyboard that enabled the mechanical selection of the metal letters; a mechanism to collect and line up the types; and a mechanism to return the letters to their location. Despite resistance from more traditional typographers, this linotype machine became the standard in just about five years (Drucker, 1996: 82).

4.4. Changes in industry and market structure

Changes in the structure of the culture and communication industry are visible, and to some extent predictable, for the entrepreneurs who analyse its evolution periodically and continuously. Sometimes, those who are outside the industry have more opportunities to innovate than those who are part of it, especially if the latter see these changes as a threat.

The following can be used as general indicators in the detection of changes in industry structure: experiencing significantly faster growth than the general economy or population; faced with this situation the traditional ways of conceiving the market may be inadequate so there is an opportunity to change them; the emergence of new forms of negotiation; and the continuous and fast technological changes.

Changes in regulation and, fundamentally, the introduction of information and communication technologies (ICT), their synergy effects and increased effectiveness, are having far-reaching impacts in the cultural and media industries and markets.

From 29 July, 2015, Microsoft's operating system, Windows 10, became available for free and for a year for users of Windows 7 and 8.1. However, PC manufacturers were asked to pay for this new version. What are the causes of this unexpected and unusual decision by Microsoft? Why was this concession made by the company that by 1999 had achieved a market capitalisation of 613,000 million dollars? What effects does it expect to have?

In 1999, only four years after the successful launch of Windows 95, Microsoft was the highest valued company in the world, three times more than IBM and well above Apple, which currently has a higher value. Microsoft even survived the dot-com bubble burst, among other things, because it arrived late to the internet revolution. However, Microsoft did not foresee the changes that smartphones would introduce to the digital industry, despite it was better positioned than any other company to dominate that market as it had already developed a mobile operating system in 2000: Windows Mobile.

In late June 2007, Apple launched the iPhone, which provoked the bankruptcy of the two most important mobile phone brands, Nokia and Motorola, and above all, introduced an idea that neither Microsoft nor Intel foresaw: a Smartphone is more than just a mobile phone, is a pocket computer. This meant a change in the marketing of software: the birth of the apps, which would be distributed virtually for free. In 2010, Apple released another star product: the iPad.

In addition, in 2005, Google bought Android Inc. and entered the smartphone market that currently dominates next to Apple.

At the end of January 2007, Microsoft made another great mistake: replacing the popular Windows XP with Windows Vista, a bloated operating system with higher hardware requirements that turned PCs into turtles that were unable to compete with smartphones.

In October 2012, Microsoft launched Windows 8, which featured significant changes in its interface, such as the elimination of the start menu, which was negatively received by the market which continued to be dominated by Windows 7.

Thus, PC's were overthrown by smartphones in the consumption of content, like movies, music, email, social networks and instant messaging apps. In fact, instant messaging services were up to 2011, with the purchase of Skype, not part of the priority services of Microsoft.

In this environment, sales of PCs fell and affected Microsoft's finances, which were even more affected by the acquisition of Nokia, which was motivated by the Microsoft's desire to gain presence in the mobile phone market.

Microsoft launched Windows 10 to try to correct previous mistakes of business management and to achieve the following objectives: to combine the interfaces of the PC, the smartphone and the tablet and, consequently, create a unified app store. The system included tools to adapt Android and iPhone apps to Windows 10, and among other benefits, brought back the home menu button, replaced Internet Explorer with a news browser, incorporated virtual desktops, enabled face-recognition authentication and incorporated the Cortana voice assistant.

Only time will tell us if all those changes will help Microsoft to dominate the mobile market or the digital consumption, as it is dominating the digital production of complex contents, such as apps, text, music, professional video and photography and 3D animations, which cannot be produced in tablets or smartphones (Torres, 2015).

Business management in the music business was the first to be transformed. The technological advances that led to the reshaping of distribution and consumption models, with free downloads, has forced many companies to undertake a trial and error process to seek solutions. An example of the adaptation to the change in a business model, but without contrasting its possible success, is the launch of the music channel *Vevo* by YouTube on 8 December, 2009, as a *joint venture* with Sony, Universal and Emi. In this channel, these companies no longer base their income on music sales, but on advertising placed within and over the music videos. *Vevo's* followers do not obtain any benefit from watching the videos, but on the contrary: they contribute to the promotion of the videos and increase the number of views, thus, creating an ideal space for the insertion of advertising.

Industry and market structures seem very stable because they are long lasting but may undergo changes that make them more fragile. They can enter a phase of decomposition that will force employers to respond with creative solutions to prevent their extinction. That was the case of the *Cirque du Soleil*, which has been on the circus business for almost 30 years and has had more than 60 million spectators (Morcillo, 2008: 20). This company was able to detect the change that was taking place in the circus industry and market. Their ability to notice that it was a great opportunity to analyse, diagnose and innovate in this field led them to an unquestionable success. However, this success did not prevent its managers from updating those strategies and methods that could become

obsolete. This is shown in the statements made by Cirque du Soleil's president and COO in 2008: "We like to take risks. It's part of who we are. Every time we come in a comfort zone, we will find a way to get out, because being comfortable in our business is very, very dangerous".

4.5. Changes in demographics

Innovative entrepreneurs have always recognised the importance of demographic trends and changes in the population: size, sex, religion, nationality, ideology, age, educational level, income, employment and other variables such as disposable income, leisure time and life expectancy. For the entrepreneur, it is important to analyse the population trends, movements and dynamics that occur outside the industry and the enterprise and whose consequences are more predictable.

Club Méditerranée constituted, at the time, an innovation based on demographic changes (Drucker, 1994: 108). Tourism, travel and holiday businesses owners took advantage of the growth in Europe and the United States of a segment of the population composed of young adults who had a good education level and power purchasing and needed a company to organise their holidays. Changes have also occurred in mass tourism which expanded in the 1970s and developed rapidly in the 1990s, and reached its climax in the first few years of the 21st century, in which the banks' financing of mass tourism became more aggressive. This trend changed with the economic crisis of 2007 and its continuance could lead to the collapse of the industry and market of mass tourism. This opens the way for entrepreneurs to investigate new business opportunities.

The success of the innovative business strategy of the Brazilian television network *O Globo* is based on the offer of free products targeting large audiences with few economic resources, on free-to-air programming like series targeting the country's popular classes. However, *O Globo* is also one of the biggest companies in the communication markets for the high-income audience through pay television. So *O Globo* follows a strategy that seeks to meet the needs of the different social groups in a country with very unequal income levels.

Ideology appears to be a relevant factor in the segmentation of the information market which can open new business possibilities or, on the contrary, have a negative impact on media companies. The news programmes of the *Fox* television network target the Republican audience, while those of *CNN* are preferred by the Democratic viewers. There is also significant market segmentation, in this case based on political affiliation, in Spain's conventional radio, with *SER* targeting the liberal public and *COPE* the more conservative audiences.

Demographic changes have also been a source of innovation in the communication industry. In this case, it has been the growing immigrant population in European countries what has opened up new business opportunities, like for example the emergence of media companies that target those groups. The *Latino* newspaper in Spain and the *MuslimNews.co.uk* news website in the United Kingdom are some examples in this regard.

4.6. Changes in perception, mood and meaning

Any entrepreneur needs to know that time changes the political, economic and social meanings, faster and clearer each time, in the cultural and communication industry. Often, unexpected success or failure (explained in section 3.1) indicate a change in perception and concepts.

At the beginning of the 1950s, the population of the United States began to be described as ‘middle class’, based on their income and job. In other words, the perception of the majority of Americans regarding their social situation was changing. William Benton, an advertising executive, interviewed people to know what they meant by ‘middle class’. Some answered that they wanted to differentiate themselves from the ‘working class’ because they believed that their children had a possibility of upward mobility if they received a good education. Benton bought the publishing company *Encyclopedia Britannica*, which was near bankruptcy, and made it successful again through the mass selling of this encyclopaedia, first to secondary school teachers and then to parents of children who were the first generation of the family following this type of education. He achieved success with the following slogan: “If you wanna belong to the middle class, your children must have the *Encyclopedia Britannica* to succeed in school” (Drucker, 1974: 118).

The characteristics of society, its cultural changes and, therefore, its perception of situations, are determining factors for the establishment of marketing and segmentation strategies. Changes in perception and meanings, new knowledge, and changes in lifestyles can also be a source of innovation. The acceptance of homosexuality and the promotion of the gay pride were accompanied by the emergence of numerous publications targeting the gay market. The first publication appeared in the United States and include *The Advocate* and *Out*. Subsequently *Zero* and *Vanity Gay* were launched in Spain, *Têtu* in France, and *G Magazine* in Brazil, among others.

As in other economic activities, the companies consider political instability as a risk factor, but this instability is seen as an opportunity by some media companies that notice citizens’ changing perception of certain events. As a result of the first Gulf War, in 1991, *CNN* became one of the international news references, just like *Al Jazeera*, which was created in 1996, won recognition from its coverage of the clashes between Hezbollah and Israel, in Lebanon in 2000, and the emergence of Al-Qaeda in the international stage, in 2001.

4.7. New knowledge

Innovations in this field come from the generation of new scientific and technological knowledge as well as economic and social knowledge, or the combination of several types of knowledge.

An innovative project based on new knowledge has to identify all the elements necessary to innovate. However, if all the necessary factors do not converge it is better to postpone the innovation because most of the time this would make the company fail.

In general terms, innovation based on the evolution of knowledge are long term because, for example, the time between the emergence of new knowledge and its technological application is very long, as it is the application of a new technology to the production or distribution processes of

companies. However, in the past two decades, in the cultural and communication industry certain technologies have been implemented increasingly faster when they enjoy the acceptance of consumers.

George Bennett is the founder of the *New York Herald* and hence the inventor of the modern newspaper (Drucker, 199: 129). Around 1870, most if not all American and European newspapers belonged to a political group or party, or were, as the *London Times*, written by and for aristocrats, with such high costs that only the elites could buy them. Faced with this situation, Bennet understood that in order to be able to provide independent information, he had to become self-sufficient in terms of financing, so he started to sell copies of the newspaper at very cheap prices to reach mass audiences.

Bennet identified the technological changes that would enable him to make this innovation: the telegraph and high speed printing, although he did not get to meet the fast composition system that he knew was necessary. Even so, the use of this new technology in the production of its newspaper, allowed him to produce the newspaper at a much lower cost than it was possible until then. Bennet also noticed a demographic change, mass literacy, which together with the technological changes would enable the massive circulation of the cheap newspaper. On the other hand, he did not notice the need to sell advertising space to advertisers. For this reason, despite Bennet was the pioneer of the mass press, he failed to become a leader and to achieve financial security.

Around 1890, these objectives were achieved by three entrepreneurs who became the pioneers of modern advertising and turned newspapers into a platform for news and ads: Joseph Pulitzer, Adolph Ochs, who turned *The New York Times* into the best American newspaper, and William Randolph Hearst, who created the modern journalistic press.

A more recent and worth mentioning case is the creation of the *World Wide Web*, by Tim Berners-Lee and Robert Cailliau, as part of a research project of the Conseil Européen pour la Recherche Nucléaire (CERN), whose purpose was to build a global information network with the available technologies: the *HyperText Markup Language* (HTML), which is the publishing format for the web and has the ability to use other document format and links to information and resources: the *Uniform Resource Identifier* (URL), which is a unique address for each resource on the web; and the *Hypertext Transfer Protocol* (HTTP), which allows the exchange of resources linked on the web (Berners-Lee: 2009).

In mid-2004, the Web 1.0, a flat web, evolved into the Web 2.0, which Tim O'Reilly calls the social web, and refers to both the technology and development of computer sciences and the content created, posted and shared by the millions of websites available worldwide. The Web 2.0 is defined as the platform that covers all connected devices. The Web 2.0 applications are those that offer most of the characteristic advantages of this platform, delivering software as a service. The Web 2.0 is updated continuously, and improves as more people use it, consuming and mixing data from multiple sources. The Web 2.0 includes individual users, and their data and services can be combined by those of others, creating network based on an 'architecture of participation'.

According to Cobo and Pardo (2007), the resources immersed in the web can be consolidated under four main lines: social networking, the new public stage; contents; social and intelligent organisation of information; and applications and services, which are determined by various tools, software, online platforms and resources, to offer added value services to the end user.

With the success of the Web 2.0, new applications have emerged to become the basis of the so-called Social Web: wikis, diaries, blogs, social networks and easy-to-use formats that do not require knowledge in *HTML and php* programming, among others.

In recent years, technological advances have affected not only the production processes, but also the emergence of new demands and products and new forms of distribution and marketing, as reflected in the restructuring that digitalisation has provoked in the advertising markets, where *Google* and *Yahoo* are taking advantage of their technological capabilities.

5. Crisis, potential of the cultural and media industries and obstacles to business innovation

The economic and political powers define the information about all the topics previously addressed while the media recreate and disseminate this information. Meanwhile, the contribution of citizens is practically non-existent since the actual information available on these issues is scarce and opaque. In the context of the economic crisis, the public discourse about entrepreneurs, innovation and creativity is more about rhetoric than reality. Governments and other institutions appear to be unarmed against the ongoing events that seem to deepen the crisis, and adopt a linguistic position that has little or no impact on the real problems of citizens.

The invocation of the need for entrepreneurs capable of setting up innovative companies and creating jobs has become more intense during this current economic crisis that started in 2007. The discursive and legislative proposals in support of the innovative entrepreneurs are insubstantial and unrealistic as they try, without sufficient grounds, to overcome the unfavourable social and labour impacts of this economic crisis

How can there be innovation if the research and education budgets of the national government and the autonomous communities are reduced? Since 2009, the budget for research was reduced by around 40%. The budget for education suffered a reduction of 120 billion euros in 2012, of around 3 billion euros in 2013, and the decline continued in 2014. This situation was difficult for the emergence of new entrepreneurs and for the success of those existing companies that had initiated a processes of innovation, and thus had wasted resources and talent that, until then, were the basis of possible competitive advantages on the market

Therefore, the good intentions of the governments and institutions to try to develop innovation-based entrepreneurship look more like tirelessly repeated *mantras* that have little or nothing to do with reality. Their discourses do not resemble what we have previously called the *entrepreneurial and innovative logic*, but sound more like the *myth of the creative genius*, since they seem to explain the need for business strategies to launch innovative businesses, based on the inspiration of unconscious mental processes, and the special personality traits of entrepreneurs. However, as mentioned before,

in order to ensure innovation we must have prior knowledge about the operation of the cultural and media industries and the political, economic, social and technological changes that occur in the societies in which these innovative companies are going to operate.

The current growth model is based on the service sector, which includes the cultural and media industries, since it occupies the highest percentage of active population and provides most of the GDP growth in developed countries. However, the problem is that the services sector depends on the economic growth and the disposable income of the consumers of culture and communication. In times of economic crisis, in Spain, the consumption of these products is reduced due increasing unemployment, wage reduction, and the increase in VAT, to 21% in almost all cultural products.

Therefore, the cultural and media industries could innovate if they offered free products, but how could they be financed? The economic crisis has provoked the reduction and even disappearance of the *subsidies* granted by public administrations and the *patronage, and other individual contributions* cannot meet the demands of aid of the multiple and diverse organisations that are trying to get it. There are other forms of financing, like *crowdfunding*, but they are not significant. With the two previous sources of funding drastically reduced, the form of financing left is *advertising*, but there is also a lot of competition between those seeking revenue for their operation. Moreover, advertising does not usually cover the production costs of most of the cultural products and services that are sold in the internet. In addition, online advertising is dominated by Google, Facebook, and other large platforms.

Mobile devices are joining the culture and media market, but also the news market in a significant way (Mitchell; Rosenstiel: 2012)

There are possibilities for entrepreneurs to innovate in the field of journalism, provided they take into account its challenges: to oppose or join the trend established by the intermediary technology companies that seem to control the future of information today. Two trends reinforce the sense that the opportunity between information and technology industries is growing:

- The explosion of new mobile platforms and social networks represents another layer of technology that the conventional media will have to follow.
- From 2011, a small number of major technology companies have begun to move quickly to consolidate their power, becoming manufacturers of *all the types of products* digital consumers and users need in their life. Google, Amazon, Facebook, Apple and a few more manage: the *hardware*, the operating systems that run these devices; the software with which people browse the web; the email services with which people communicate; the social networks where content is shared; and the web platforms where people buy and play. Through the provision of these products and services, these companies obtain the personal details of each consumer. In 2011, five of these tech companies obtained 68% of the total revenue from online advertising, and this list does not include Amazon and Apple, whose income came from transactions, downloads and devices.

The phenomenon that began to be clearly visible in 2010 continues to growth: traditional media, which are slow in their adaptation and are culturally more tied to content than to technology, are

losing their leadership in the creation of businesses in this online environment. This leads to the following questions: Are technology giants interested in acquiring the legacy of information brands as part of their *all-encompassing* offer to consumers? Will small and medium-sized media companies survive?

Financial ties between big technology companies and the media industry are already occurring. *YouTube*'s plans to become a producer of original content for television include the funding Reuters to produce original news programmes. Meanwhile, Yahoo has partnered with ABC News to make it its exclusive content and news provider. For its part, AOL, after failing to succeed as a producer of original content, has acquired *The Huffington Post*. With the launch of its *Social Reader*, Facebook has partnered with *The Wall Street Journal*, *The Washington Post* and *The Guardian*, among others.

These are just a few examples of the business movements undertaken by large corporations towards a growing convergence of cultural, media and technology companies. This convergence can be seen in four areas identified by Jenkins (2006): content, technology, business models and professional activity. And it is characterised by the production of multi-platform content by the media, by the collaboration between media companies and by the evolution of the content preferences of the audiences.

How do these new forms of distribution across multiple devices (among which mobile devices are increasingly acquiring more importance) impact traditional forms of distribution and the production of cultural and media contents? Can the *app* economy of the online markets become an alternative for content sales? Canavilhas (2010), echoing the contribution of Kaye & Quinn, says that the improvement of the quality of contents is only possible if there is commitment to innovation and adherence to technological trends, but is there a new language and new cultural and informational formats for these devices?

The undertaking of an innovating business project in the cultural and media industries requires the answering of many questions, some of which have been raised in this article, because the, long term, convergence between the these industries and large technology companies can be an opportunity to transform the culture, communication, organisation and the operation of the global system.

Here it is also important to say that, generally speaking, these business opportunities tend to be better exploited by the existing large companies, although the road is opened to any entrepreneur. The technological evolution is having a great impact on the cultural and media industries, which are constantly changing their structure with the emergence of new enterprises, the reorganisation of the existing companies, new production processes, new products and new forms of distribution of cultural and communication products and services. However, companies can also innovate in the field of management, as Google did when it forced employees to allocate 20% of their working time to personal projects that must be implemented even if they compete with Google.

The communication and entertainment industry is very dynamic: it is changing its structure through successes and failures in the introduction of new products and services on the market. Failures have and will continue to occur, if companies continue to wrongly believe that a new technology is

enough to create a great demand in the culture and communication market. Companies need to be aware that future consumers must perceive the new product as necessary, useful, irreplaceable and reasonably priced, except Apple, which has managed to create his own niche market.

In short, the deployment of new media and cultural products and services will involve transformations generated by the complex interaction between the political and economic decisions and pressures, the needs perceived by consumers and the technological and social innovation (de Mateo, R.; Becerra, M.; Bergés, L., 2009: 28-29).

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