

CAPTURING VALUE BY CREATIVES

How to unite the cultural and entrepreneurial soul

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CULTUUR+ONDERNEMEN

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1. Summary

Summary of main results

The objective of the SIA KIEM proposal Capturing Value has been to better understand financial decision making of creatives. Main results after 12 months are:

1. A sample of creative professionals from different creative disciplines became aware of their financial reasoning behind their financial decision taking and their level of financial knowledge. Half of the sample has been given thorough advice to improve the financing mix for their business and investment plans, to know better which next steps they will and can take in acquiring finance for their project or practice;
2. A prototype tool is developed and tested that can be used to indicate the level of financial knowledge of creative professionals. The results indicate that participants are not sufficiently knowledgeable in how to organize their business in such a way that it generates a more or less constant level of income.
3. One meeting is organized on issues of capturing value and financing in the creative sector with participation of art education institutes, government officials, creatives and representatives of financial instruments. The results of the research were shared and recognized, the meeting resulted in more recommendations and in directions for future research.
4. All partners have more insight on the reasoning behind financial decision taking and the connection with business models capturing value of creative professionals. For the Hogeschool van Amsterdam en HKU this resulted in new ideas for further research into financing facilities and their results, Cultuur+Ondernemen will further test and develop the financial literacy test.

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2. Introductions

The objective of the SIA KIEM proposal Capturing Value has been to understand financial decision making and capturing value as a logical step in the conceptual and realisation phase of creative products. We have explored the narrative of reasoning and making choices in the use of different financial instruments by creative professionals. These narratives are telling about the values creative professionals attach to financial decision making and how these influence the choice of financial instruments. Most research focusses either on the (non)availability of financial instruments or on the use of these instruments. This research proposal focusses on the missing link: how do creative professionals reason when confronted with making financial decisions? Which options do they consider and how are these influenced by their attitude towards and knowledge of various formal and informal financial instruments? Below we describe the outcomes of the project. Within paragraph 3, we describe the steps taken. In paragraph 4, we present a literature review. Then we present the results of our financial literacy scan, the interviews and the round table meetings. We end with conclusions and recommendations.

3. Description of research process

The objective of the SIA KIEM proposal Capturing Value is to understand financial decision making and capturing value as a logical step in the conceptual and realization phase of creative products.

We will explore the narrative of reasoning and making choices in the use of different financial instruments by creative professionals. These narratives are telling about the values creative professionals attach to financial decision making and how these influence the choice of financial instruments.

Most research focusses either on the (non)availability of financial instruments or on the use of these instruments. This research proposal focusses on the missing link: how do creative professionals reason when confronted with making financial decisions? Which options do they consider and how are these influenced by their attitude towards and knowledge of various formal and informal financial instruments?

The project is a first step to develop a bigger and international research proposal on the way artists and creatives capture the financial value of their creations.

Activities

Phase 1:

1.1 The HKU wrote an introductory article based on existing research on financing in the creative sector.

Phase 2:

2.2 C+O brought together 15 creative professionals from different disciplines to collect and inventory their narratives and reasoning behind financial decision taking, and advises half of them on financing options in individual sessions.

2.3 HvA developed a prototype tool to assess the financial knowledge of creative professionals which will be assessed by the group of 15 creative professionals at the first meeting.

2.4 HKU researched the findings of the meeting on their financing reasoning, gaps in capturing value and presented the results at the second meeting, resulting in a literature review.

2.5 C+O held individual consultations with half of the group members to advise them on how to improve their financial reasoning and planning.

2.5 C+O brought together the same group of creative professionals to collect and inventory their progress and insights on how to capture their value. Heiko Balster, a designer, was present to share his experiences in using several financing instruments. The results of the prototype tool were presented.

Phase 3:

3.1 HvA, HKU and C+O organized a meeting with creatives, professional organizations, art education, funds and government officials to discuss the results of the project.

3.2 HvA, HKU and C+O cooperated on the final report including the inventory, the used narratives and the assessment of financial knowledge. The report offers recommendations for creative professionals, art educations, funds and government on how to bridge the gap towards capturing value and the use of (new) financial instruments) and recommendations on how to develop financial instruments which are suited for professional creatives.

3.3 All partners cooperate on the development of an (international) research proposal.

4. Literature review: Financial reasoning of creative professionals

4.1 Introduction

The tensions between art and commerce have been discussed by scholars studying the cultural and creative industries (e.g. Caves 2000; Lampel et al. 2006; Throsby 2001). Organisations and cultural entrepreneurs¹ seek a balance between the economic logic and the artistic logic of production. The artistic logic is about the creation of the work and less about gaining the approval for this work from a larger group. In its purest form this logic considers that each work stands on its own and cannot be compared to other works. How good or bad the work is, it is a personal perception (Caves 2000). The focus of the economic logic lays on the output of production, such as its quantity and value, rather than the process of production. It is very much about financial decisions such as, cutting costs, selling, break even and (possibly) making a profit. It concerns the needs and wants that the market articulates and, therefore, it concentrates on what a larger group may think of it (Caves, 2000). Those that produce culture are confronted with both the artistic and the economic logic and the objectives that originate out the different logics often compete with each other (Glynn 2006).

The artistic and economic logic have to be bridged and balanced in the production of culture, so that one can create creative and artistic quality and at the same time safeguard the economic survival of the venture. A popular solution for this idiosyncrasy, that a cultural organisation may use, is dividing the organization in creative parts and administrative parts. This creates a faultline in the organisation that is primarily bridged at the top of the organisation (Ebbers et al. 2014). In this way an artistic and a managing director combine information from both sides of the organisation to make strategic decisions with respect to artistic quality and economic issues, such as finance (Bhansing et al. 2012 and 2015). The cultural entrepreneur may find it more difficult to find a balance between the artistic and economic logic, since goals that originate from each logic are safeguarded within themselves. Many cultural entrepreneurs favour dividing their time and activities along the two logics. They may create a portfolio career (Handy 2011; Throsby and Zednik 2011) where they spend time on activities that are insignificantly related to their creative process, such as working in a restaurant, only to provide an a minimal steady income for their basic needs. They may be engaged with other activities that are more related to their creative field, for example, a guitar player that teaches music students. Next to this, they will be occupied with their own creative processes and the production of creative works. The portfolio career allows them to follow the artistic logic in their own creative activities since economic objectives are allocated to the other activities. In a way the cultural entrepreneur with a portfolio career has made the financial decision that he/she will fund him/herself by acquiring financial means with secondary activities.

The portfolio career and the organisational faultline are ways of shielding the creative process from distracting influences. According to Bourdieu (1993) artistic practices are endangered as soon as they become professionalised. When activities depend on certain recourses, these resources can become goals instead of means (Pfeffer and Salancik 1978). Governments and philanthropists have supported cultural ventures from the burdens of the market by providing funds for production and administration. Thereby, they have created financial security and have taken away considerations of alternative ways of financing. These types of funding can be viewed as a market correction that provides finance for production costs that are not covered by the willingness to pay of consumers (DiMaggio 1983). Moreover, it allowed organisations and cultural entrepreneurs to employ individuals to perform more humdrum tasks, such as administration, accounting, management, HR, etc. (Caves, 2000). As the requirements of support from governments is changing towards favouring business skills (Fransen

¹ In this study we use 'cultural entrepreneur' to refer to artists, creative workers and cultural or creative entrepreneurs that are self-employed with respect to creating creative products, services and or art. In other words, the cultural entrepreneur is an individual who creates creative works as part of her own business venture.

2017; Klamer 2011) and the portfolio career has temporal boundaries, the cultural entrepreneur may reach a new territory that asks for a reconsideration of the fit between their activities and objectives.

Objectives with respect to creative works are derived from personal, social, societal and transcendental values (Klamer 2017). Such subjective sources, which are typical in ventures that are driven by important noneconomic motives next to their economic motives (Koropp et al. 2014), are key in the theory of planned behaviour (Ajzen 1991). The theory of planned behaviour shows that decisions arise from intentions. These intentions are influenced by norms, attitudes and behavioural control. Norms are about the decision maker's perception of what other people, who are perceived to be important, may think of their decisions. Ajzen (1991: 188) defines subjective norms as "perceived social pressures to perform or not to perform the behaviour." Attitudes are about how the individual (in this study the cultural entrepreneur) feels about the actions and behaviour that she considered to perform. The individual may have a favourable or unfavourable appraisal of the outcomes of the behaviour in question (Ajzen 1991). Behavioural control is about the degree of difficulty that the individual perceives. Based on the individual's experience and the expected obstructions and obstacles an individual may believe that particular actions and behaviour are easy or difficult to perform (Ajzen 1991). Norms, attitudes and behavioural control may play an important role when the cultural entrepreneur is confronted with financial decision-making and provide insight in the cultural entrepreneur's reasoning about financial decisions.

4.2 A different world

Cultural entrepreneurs operate in a field that is an environment with institutionalised norms (Alexander 2003; Beckert 1999; Wijnberg and Gemser 2000). They differ from most entrepreneurs especially in terms of degree in for-profit orientation, uncertainty and risk attitude, work conditions, implied skills and type of innovation, growth, resilience, besides overall societal impact (Lazzaro 2017). Cultural entrepreneurs have a particular thought world with particular ideas that reflect in the norms of the field. This is broadly characterised by a bohemian lifestyle, where individuals experience a calling or devotion to create works and spontaneity, flexibility and enjoying life in the here and now are central (Eikhof and Haunschild 2006). Many cultural entrepreneurs believe that quality is the only thing that matters and that works will sell themselves if the quality is right (Eikhof and Haunschild 2007). The cultural entrepreneur takes the creative idea and only later finds a fitting and appropriate information system, marketing mix and markets, rather than the other way around (Colbert 2003). Where the 'general' entrepreneur is expected to exploit market opportunities and to enjoy setting up new businesses the cultural entrepreneur focuses on creative ideas (Bhansing et al. 2018). When other individuals who share the bohemian lifestyle perceive creative works to be of high quality, the cultural entrepreneur gains status and reputation in the field.

One can argue that the bohemian environment may view well-reasoned financial decision-making and the ability and willingness that are attached to this as a behaviour that is not according to the norm of the bohemian environment. Contemplating how to connect to investors and recuperating costs are not considered to be the correct starting point for creative works (Colbert 2003). In addition, when a cultural entrepreneur incorporates elements in her work that seem to be aimed at favouring the larger market she may be accused of selling out (Klein et al. 2017). This individual is perceived to prefer economic gains over the creative quality of the work. Also, in a paradoxical way it can be important for financial gains to respect the norms of the field and thereby gain legitimacy for the created works among peers. Often, only after a particular acquired level of legitimacy is reached, intermediaries such as gatekeepers will allow access to particular markets and perform humdrum tasks (Bhansing et al. 2017). Therefore, the cultural entrepreneur who values the norms of the bohemian environment may experience pressure, with respect to her artistic and economic objectives, to not show a behaviour that is connected to financial decision making.

4.3 Motivation for creativity

The cultural entrepreneur is passionate about what she does (Bhansing et al. 2018; St-Louis and Vallerand 2015). Entrepreneurs in general have a need for autonomy (Brockhaus 1982), their drive or passion is central to their success (Cardonet al. 2009) and, arguably, the basis of their attitudes. The

expected outcome of behaviour of the cultural entrepreneur's drive to create is predominantly her intrinsic motivation. Intrinsic motivation is about a behaviour that offers an internal reward, such as the satisfaction that is experienced during a particular activity (Ryan and Deci 2000). A major part of the cultural entrepreneur's activities are about developing her creative ideas, and especially in the early stages of this development process, where the creative idea gets more form, she may experience intrinsic motivation. In this stage of idea development the cultural entrepreneur may experience harmonious passion (Vallerand et al. 2003) where she feels a flow of thoughts and possibilities. Harmonious passion allows the autonomy, which is a requirement for creativity (Amabile 1997; Ryan and Deci 2000), to have a positive effect on creativity (Liu, Chen and Yao, 2011). As the development of the idea proceeds, it becomes clearer what the characteristics and qualities of the work are, and the product and the development process motivation changes.

In the later stages of idea development the cultural entrepreneur is confronted with issues regarding market acceptance. Regardless of the help of agents, managers or accountants that perform humdrum tasks, the cultural entrepreneur needs to form an opinion about, for example, what amount of financial means she should allocate to marketing, promotion and sales. Therefore, the cultural entrepreneur has more of an outward focus and extrinsic motivation. Extrinsic motivation is about external rewards such as money or reputation (Ryan and Deci 2000). The entrepreneur may experience less autonomy and creative satisfaction, because of her concern with the approval of the market and or important others. Even though, the cultural entrepreneur may realise that successful financial decision-making has a positive outcome, namely allowing the creative process, although this seems to be far from her drive and passion to create. For example, young artists often believe that financial and organisational knowledge is boring or irrelevant (Penaluna and Penaluna 2011). One may argue that the creative entrepreneur's activities are born out of the need for creativity. Financial decision-making does not belong to the creative stage and, therefore, cultural entrepreneurs may have an unfavourable attitude towards financial decision-making.

4.4 Financial knowledge

The norms and attitudes that we discussed above show that financial decision-making does not belong to the cultural entrepreneur's social norms and that the cultural entrepreneur may have an unfavourable attitude toward financial decision-making. This seems to be related to the expected difficulty that is perceived when one is required to make a financial decision. In the cultural and creative industries there is lack of tangible assets, dependence on intangible assets, lack of collateral and of sophisticated private financing instruments, high uncertainty of market demand, asymmetric information, generation of value over long and uncertain periods of time, etc. (EENC 2014; Lazzaro 2017). The cultural entrepreneur is most likely aware of these idiosyncrasies, but probably not of their financial implications. Cultural entrepreneurs often find it difficult to navigate the financial landscape, are uncertain about their financial needs, find it difficult to articulate business strategies, produce detailed financial forecasts and effectively use budgets (Creative England, 2014). The current state of the cultural and creative industries is that cultural entrepreneurs have little financial knowledge. Face to these idiosyncrasies, cultural entrepreneurs tend to financially rely on personal and social networking (Lazzaro 2017). The deficiency in business skills and the dependence on public funding schemes for projects (EENC 2014) most likely result in a low perceived behavioural control with respect to financial decision-making and in viewing financial idiosyncrasies as obstructions rather than opportunities for business development.

In the cultural and creative industries there is a substantial group of individuals who is sceptical about the need of learning to be business like (Coulson 2012). Students as well as many professionals are often reluctant to call themselves an entrepreneur (Coulson 2012; Hausmann 2010). Nevertheless, art schools have adopted pre-existing courses from business schools. These courses often do not cater to the financial idiosyncrasies of the cultural and creative industries and relevant subjects such as writing applications for long-term funding receive little attention (Sternal 2014). In addition, the lack of a financial ecosystem makes it difficult for the cultural entrepreneur to overcome the knowledge barrier.

5. Research results

5.1 Introduction

A financial ecosystem in the cultural and creative industries should develop in three areas: specific knowledge, connecting investors and producers, and accessibility and independence of funding schemes (Cultuur+Ondernemen 2016; Klamer and Petrova 2007). Such developments could increase the understanding and attitude towards of pre-financing, investing and recouping. The cultural and creative industries would benefit from creating a holistic inclusive commitment to a true entrepreneurial mindset (Beckman 2007), where it is the norm to have organisational skills and financial knowledge.

In starting to understand the opportunities to develop to a true entrepreneurial mindset, we have brought data out of various sources and character together. First, we have developed a financial literacy test for creatives. Second, we have done interviews with individuals. Third, we have done two group meetings with creatives and (fourth) we have had a stakeholder meeting.

5.2 Financial literacy of creatives

To get a good insight in the current financial literacy of creatives, we developed a small test, based on earlier work of The National Financial Capability Study (NFCS).

The test consisted out of three categories with 14 questions in total.

The categories are defined as:

- Financial algebra
- Value creation & business model
- Knowledge of finance and revenue sources

A total of 15 participants answered 98% of the questions. The four unanswered questions were in the financial attitude and reasoning section.

Average scores

In the section Financial algebra the average score was 68% of total points available. Three quarters of the questions obtained a score above 50% of total points available

In the section Value creation & business model the average score was 26% of total points available. All of the questions obtained a score below 50% of total points available.

In the section Knowledge of finance and revenue sources the average score 40% of total points available and 63% of the questions below 50% of total points available.

These scores indicate that financial literacy is weakest on Value creation & business model. The majority of the participants lack knowledge on different business models and how financial value is created.

The scores in the section Financial preferences indicate that:

- 67% is risk averse

- 54% dislikes commercially motivated finance
- 79% willing to compromise autonomy in order to get more attractively priced finance
- 62% adverse to sharing financial upside potential

The participants were surprised to hear these results. The following discussion resulted in the insight that they take many risks artistically, but because of their poor financial situation they tend to minimize all risks concerning finances.

We noted the following comments of participants on taking the financial literacy test:

- They liked that it increased consciousness of the variety in financial options
- Many struggled with provision of sufficient income and therefore did not consider finance/expanding
- Sponsoring, if any, is often not in money but in-kind
- Crowdfunding is labor intensive and ends up often short of the targeted fund raising amount in their perception (although few actually participated in crowdfunding campaigns).
- Some had aversion against borrowing due to the interest obligation
- Informal finance from family, friend (and fans?) and from exchange of materials with colleagues are used most often as a form of external financing.
- A big majority did not make multi-year (financial) plans

The test was filled in by 15 participants, who answered 98% of the questions 4/(15*14). The four unanswered questions were in the financial attitude and reasoning section. Mostly because they needed more time to think about these questions as they did not have the knowledge to answer these questions from existing knowledge.

The outcomes of the test were very beneficial in our interviews and other meetings with creatives. The test detected possible weaknesses, areas that need development. In meetings we could further discuss these issues. The test provided appropriate results and the results suggested opportunities to further develop the entrepreneurial mindset of the people involved, especially in the area of financial management.

Cultuur+Ondernemen will test the usability of the financial literacy test further, mainly as part of individual consultations and as part of intakes for providing culture loans. For Cultuur+Ondernemen, the test works to get more insight in the financial literacy of the participant. But, also for the participant as well, to become more conscious about her or his own financial literacy.

5.2.1 Individual consultations: About battles, balancing acts and finance

However, the financial questions were not discussed within the individual consultations as a separate category. Finance is part of a bigger picture. Especially within the creative sector, other drivers are often more important. To embed our financial insights into the real life and work of creatives, we organized individual consultations.

As part of the project circa half of the participants (8) made use of the possibility for an individual consultation. Central in these consultations were questions or challenges that the participants face in their own daily practice. Shared themes were:

- **‘Battle of the souls’**: the trade-off between artistic soul and business soul. The participants are artistically driven, but have to deal with business as a necessary condition to translate their artistic vision and ambitions into realization and income, which is a battle.
- **‘Balancing act’**: the trade-off between income out of the artistic practice and the need to earn side-income. Most of the participants earn too little out of their artistic practice. So they have to work in fields beside their artistic practice. The income makes the artistic practice possible. But it grabs time and concentration away. And, in fact, they invest with their savings in their artistic development.
- **‘Getting started’**: there are not so many financial facilities for funding development and research. Most participants invest their own savings for next steps in their artistic career.
- **Fair income**: although a fair pay is on the agenda (Fair Practice Code), most participants face lacking income when realizing their projects. A fair pay is not yet common practice. They acknowledge the fact that it requires also to practice a new attitude themselves.
- **Broader financing mix**: the participants realize that there are more financing resources than own income, private and public funds alone. But acquiring new sources of income requires additional competences and skills. Consulting and coaching on the job remain important.

The meetings with 8 Individuals enable us as researchers to organize two group meetings in which we tried to further understand the relationship between finance and (other) personal drivers or motives.

5.2.2 Results of two group meetings February 22 and April 16

In preparing the group meeting, we summarised the drivers above into three areas; norms (battle of the souls, fair income), attitude (balancing act and getting started)) and financial knowledge (broader financing mix). Again, here financial knowledge meets the motives of creatives, the area of this research. The meetings were held at 22 February 2019 and 16 April 2019 with 15 participants.

Norms

Non-commercial thinking. Some of the cultural entrepreneurs in the group sessions indicated that there are norms in the field that do not encourage financial thinking and decision-making. It is not expected in the creative field that one is focused on or inhibited by the financial issues that come from ‘being an artists’. Discussing prices and profits are not common in the cultural field. It seems that one belongs to a particular thought-world of creative processes where the primary reasons for entrepreneurial activities are non-economic.

“If someone in high school had said that I would start my own company I laughed at them, my focus was on drawing.”

“In art it is not accepted to have a price tag.”

“I do not know any artists who make a profit.”

Education. Some cultural entrepreneurs also recognise that art schools do not encourage a business orientation. For example, it was mentioned that alumni who have received awards in the entertainment field were usually not used for a school’s marketing purposes. However, this seems to have changed. Nevertheless, commercial interests are often discarded in schools and a lot of attention is paid to the students’ own values, expressions, and principles, with the condition that these are non-economic.

"At the art academy, commercial interest was a bit dirty."

"You have to stick to your principles and if you can live from it, then your colleagues will appreciate it".

A particular definition of (creative) entrepreneurship. The norms in the field seem to result in a perceived trade-off in creative activities between on the one hand openness, newness and uncertainty and on the other hand incorporating financial restrictions². For the cultural entrepreneur concerns about financial returns seem to come last. This is in contrast to start-ups in most industries, where it seems that the financial concerns come first. When some cultural entrepreneurs attempt to balance financial considerations with the creative process this is often challenging and the creative goal dominates. For example, cultural entrepreneurs may estimate how much time they want to invest in a work, but when the aimed quality is not obtained they do not believe that they can stop developing the work because their budgeted time has passed. There is a high need to deliver the quality that one stands for and financial budgeting decisions seem to be disregarded and overthrown so that the personally desired quality can be delivered.

"It is hard to put in less hours in your work. You have to keep going until it is finished."

Assignments and own work. The cultural entrepreneur makes a clear distinction between creating own work and working on assignment. The first is the most artistic or creative activity and these projects are also considered the most autonomous. Although, both types of work require creative input the own work is seen as more artistic and as the main purpose of the cultural entrepreneur. This way of working also suggests that the cultural entrepreneur separates financial decision-making from their core creative activities or that they simply do not consider financial decision-making.

"If you are autonomous, you will be stricter in monitoring the frameworks of your work."

"Your own idea, what you create from within yourself is good. If you get rid of that then you get more commercial thinking, such as making on assignment."

Income generation. For most cultural entrepreneurs it is necessary to supplement the income that is generated from their own work with income from assignments and non-creative jobs. Assignments and non-creative jobs provide a basic income and the possibility of self-financing time and other resources for own work. Some cultural entrepreneurs recognise that colleagues who have received artistic praise may still have financed their own work with income from assignment and non-creative jobs, and that it is very likely that the income from own work is not sufficient. Moreover, creating own work, having assignments and non-creative jobs is a practice that is perceived as the common practice, as most cultural entrepreneurs adapt this way of working.

"There are also people who are successful at the highest level but who do not manage [to survive]. The part-time jobs make more money."

"Mornings for myself and the afternoons on assignment."

Evaluation and pricing. Some characteristics of the cultural and creative industries are problematic with respect to financial decision-making. Setting the prices for own works is difficult, because cultural entrepreneurs realise that an hourly rate that takes into account the entrepreneurs' education and experience results in works that are considered too expensive by most potential customers. However,

² It seems that the financial aspect is not part of entrepreneurship for them.

the cultural entrepreneur is hopeful for changes in price norms, because of industry initiatives³ that seem promising and effective with respect to setting financial values for works.

"I always have to adjust my hourly wage (down)".

"You have so many expenses, if you organize a concert yourself, you will not be able to make enough."

"The arts association has set up an unfair practice hotline".

Some cultural entrepreneurs also indicate that it is difficult to determine the financial value of their work and to communicate this to intermediaries and gatekeepers. The final creative work incorporates many aspects that are not visible, but which are crucial in the development process of the work.

"You make something that is not there yet where we [artists] see an added value. This is not always clear, but its value is difficult to pay [turn into monetary value]."

"Everybody is making money: museum, curator. Everybody makes money except the artist."

Public subsidies. Even subsidies that are especially created for the cultural and creative industries are perceived problematic by some cultural entrepreneurs. There is a reciprocal issue between subsidy institutions that is difficult to deal with for the cultural entrepreneur and this adds to problems of matching the long application acceptance procedure with the long development process of creative works. Some respondents indicate that when applying for project subsidies it is often a requirement that the project gets financed by different institutions. They perceive that you already need subsidy for a project before a subsidy provider wants to approve an application for this project and that this does not make sense if it is required by all subsidy providers. Obtaining subsidies is for some a virtual circle that has a dependence path where there is a necessity to pass a minimum threshold.

"Connection with practice can be improved in terms of lead times [time it takes for the application to be processed by the subsidy provider]".

"Funds ask for co-financing, which is a chicken and egg story if all funds want it."

Attitude

Necessity. The need for increasing financial thinking is often first realised when financial problems occur. Behaviour is often more ad-hoc instead of pro-active or strategic when it comes to financial decision-making. Most cultural entrepreneurs have the goal to dedicate as much time as possible to the creative process and financial considerations are limited. Financial decision-making is not considered to be part of the core activities of the cultural entrepreneur and is something that they rather not spend time on. It does not fit their personal interpretation of cultural entrepreneurship. However, some recognize that this does not mean that it is not part of the entrepreneurial activities. In line with this, some cultural entrepreneurs favour to outsource financial decision-making, if possible.

"Only when things went wrong did I think I needed to know more about the business side."

"I am never busy with financial calculation problems. This is challenging. It scares me off."

"That is what my bookkeeper for and financial advisors are for. For me, being a cultural entrepreneur is about something else."

³ Fair practice code (<https://fairpracticecode.nl/nl>)

Some cultural entrepreneurs, who cannot rely on outside advice especially, have a negative attitude towards financial decision-making. For example, when one is organizing a particular project they get the feeling that they are more a manager than a creative person. It seems that there is difference between the perception on what encompasses to be a fulltime artist, when one is, for example, still in art school, and the practice of being a cultural entrepreneur. The latter requires managing projects, time for acquisition and also financial decision-making. For other cultural entrepreneurs increasing the financial knowledge is seen as an activity that is necessary but not fun. It is perceived as a time investment that will pay itself off later on.

"You cannot request an expert on everything. Sometimes I have the idea that I am an office manager or project manager. It feels like being only 10% artist and running a business for the rest."

"A bit of a necessary evil, that pays for itself later."

When one cannot cope by themselves financially and needs the money of others, this is by some perceived as a type of failing. This is e.g. reflected in an ambiguous attitude towards public subsidies, even though public subsidies are still a common financial instrument in the cultural and creative industries. However, one should take into account that the availability of public subsidies and other traditional forms of private financial support such as philanthropy and sponsorship are declining. In addition, sometimes subsidies are viewed as a temporary solution that does not better the cultural entrepreneurs' position in the market and on the long run. This relates back to the need for independence and living in accordance with one's principles.

"I have to do it myself if I'm good enough."

"It's not nice to hold your hand at the subsidy provider."

"You do not become financially independent of subsidies in the long term. It keeps the system [dependence] in place."

Financial familiarity. Some cultural entrepreneurs have a perception on financial instruments that is characterised by avoidance, uncertainty or perceived risk. This is especially evident with instruments that are unfamiliar. Some cultural entrepreneurs want to avoid financial problems resulting from their own bad decisions-making. They seem to be scared of their capabilities and how this may lead to possible unfavourable financial outcomes. The cultural entrepreneur seems to be motivated to stick with what they already know.

"You build in more security if you borrow from parents or friends."

"I don't know anyone who has taken out a loan and, so also, no one who can tell me it was a good experience."

Also, unfamiliar financial instruments are seen as impersonal and not fitting the creative process. Cultural entrepreneurs seem to be concerned about differences in value perception between financial institutions and themselves. Some cultural entrepreneurs have strong principles. Sometimes such individuals are not aware of the value systems are operating in, for example, a bank and thus collide with the bank. In addition, some have trouble to see money as a neutral instrument or feel ambiguous towards it. For the cultural entrepreneur creating a work with money coming from a financial institution is sometimes connected to an ethical issue about adapting the creative work to the expectations of this institution. In general, there seems to be a mistrust of financial instruments and institutions.

"Making art is really something personal, in other industries money is more viewed as a tool, they look at risks differently."

"If you go to an average financier, they are always sceptical of art."

Financial knowledge

General financial understanding. In general, cultural entrepreneurs recognize that they have too little financial knowledge in order to grow towards or run a fulltime business. Basic financial vocabulary is difficult to understand without any prior financial or economic knowledge. When the cultural entrepreneurs were offered financial information they perceived it as a lot of information that would take a lot of time to comprehend. At the same time the cultural entrepreneur understands that financial knowledge is needed to negotiate with customers and financial institutions.

"I didn't understand what was being asked."

"What went wrong with reading was my comprehension; I normally have no trouble with that."

"Knowledge makes your negotiating position better."

Understanding financial instruments. Especially, the financial instruments that are common in other industries, such as credit, are not perceived as a fit. The cultural entrepreneur has difficulty in understanding how they can apply such products to their specific situations of creative work. A simple financial model where one uses their savings or borrows from friends or family is much more favoured.

"I do not understand loans well. The project has to come to a break-even point."

"Loan is not convenient because we do not sell a product."

"It comes down to what I have on my savings account. I first saved. I hardly look at subsidies. It is either you have rich people around you or you have to save hard."

Fundraising is difficult. Other financial instruments that are more common in the cultural and creative industries such as crowd-funding, sponsoring and acquiring non-financial resources are better understood. However, cultural entrepreneurs mostly do not have the time or resources to properly deal with these instruments.

"The past years I got a lot in-kind."

"In crowdfunding you have to put a lot of energy into it and it is very difficult."

Also, the subsidy application process is viewed to be difficult, even though, subsidies for the creation of works are relatively familiar in the cultural and creative industries. Some cultural entrepreneurs indicate that this problem does not only originate from the capabilities of the cultural entrepreneur, but that difficulties are also as a result of arts education's lack of attention to subsidy application processes.

"A typical artist will not have excelled in economic knowledge very quickly, so there will be much more resistance to applying for subsidy, it is just difficult."

"European subsidies are very complicated. You have to get it all right. And they encourage individual artists to respond."

Lack of training. Furthermore, most cultural entrepreneurs mentioned that they had no training with respect to financial decision-making. A few had very little training with respect to financial decision

making as part of their regular education program. This was, for example, one or two days within a larger course. A few other cultural entrepreneurs have educated themselves by doing extra programs. In general, the cultural entrepreneurs recognize that arts schools are now more active with offering courses about finance, business and/or entrepreneurship, and that they have a need for courses in finance and strategy.

In general, we can conclude that cultural entrepreneurs -at least our group – were willing to develop further in the area of finance and entrepreneurship. They are interested in new and alternative ways to run their ‘business’ and are in search of opportunities to further develop themselves. It is important here to remark that our group was biased in this respect. The cultural entrepreneurs of our study were contacts of Cultuur+Ondernemen and were participating in a program to further develop their skills.

To understand how the environment of the cultural entrepreneurs is (de-)motivating cultural entrepreneurs in this respect, we also organized a stakeholder meeting. This was the last step in our exploratory research.

5.3 Results of stakeholdermeeting

At the stakeholdermeeting we had representatives of different government funds, financiers, the national lobby organization for the arts, artists and another researcher.

We presented the results of the different parts of the research and conducted a Q&A after each part. We discussed the results of the financial literacy test, the individual consultations and the two group meetings. All our presentations were met with signs of recognition and approval by the representatives of the different organizations. They agreed that these are the topics they come across in their work and added more examples.

A part of the meeting we spent time on further formulating the recommendations for different actors, such as art education, funds, artists and creatives and governments. We also asked suggestions for further research.

6. Overall result and conclusions

The conclusions of our research indicate that there is ample room for improvement for different actors within the cultural and creative sector concerning financing.

Our literature review made clear that a financial ecosystem in the cultural and creative industries should develop in three areas: specific knowledge, connecting investors and creative makers, and accessibility and independence of funding schemes (Cultuur+Ondernemen 2016; Klamer and Petrova 2007). Such developments could increase the understanding and attitude towards pre-financing, investing and recouping. Within our explorative research, we started to assess this environment. Where are the opportunities to develop to create a holistic inclusive commitment to a true entrepreneurial mindset (Beckman 2007), where it is the norm to have organizational skills and financial knowledge?

One of the outcomes of this research project is that Cultuur+Ondernemen will test the usability of the financial literacy test further, mainly as part of individual consultations and as part of intakes for providing culture loans. For Cultuur+Ondernemen to get more insight in the financial literacy of the participant. But, also for the participant as well, to become more conscious about her or his own financial literacy.

Furthermore, we have formulated various recommendations for four actors: art education, artists and creatives, financiers and governments. These recommendations have been collected in a participatory process together with the participants of the group meetings and the participants of the stakeholdermeeting. Goal, again, was to assess opportunities to strengthen the entrepreneurial mindset of creatives:

6.1 Recommendations for art education

- Pay more attention to acquisition and negotiation skills as part of entrepreneurship training
- Financial knowledge following on the results of a financial literacy test should be part of the entrepreneurship training
- Art education should provide a more realistic picture of the future working practice of artists and show not just the “hosanna” stories
- They should invite alumni with realistic stories and/or organize ‘fuck-up nights’ where artists tell what went wrong and what they learned from failures
- Develop a master course or post-graduate course on business planning/financing

6.2 Recommendation for artists and creatives

- Build a network of business professionals (legal / IP / administration / accountant / copywriters) or build up a joint network of business professionals with a group of artists and creatives
- Establish cooperatives of professional artists for joint negotiations on prices for work
- The first step is to learn to formulate your own value properly
- Learn more about negotiation strategies and learn to do market research
- Set up a cooperative platform of professionals with the same interests to promote fair practice and negotiate better working conditions (such as the platform for freelance musicians)

- Reject and show publicly practices of #unfairpractice and/or develop a black list of places that do not pay or not enough
- Join a professional association or union
- Hire an agent / impresario to do the negotiations for you

6.3 Recommendations for funds

- Organize speed dating with more funds at the same time so artists and creatives make efficient use of their time and are able to compare different financial instruments
- Let financiers make conditional commitments so that other financiers will come along and co-financing becomes more easy (funds wait for each other)
- Funds should allow more room for experimentation and learning
- Criteria of funds should be more transparent
- Funds could provide information on a pool of agencies that help with writing applications
- Funds could diminish their paperwork when applying and justifying afterwards
- Funds should set up a black list of places and organizations that do not pay or pay too little
- Funds should return applications in which artists and creatives are paid too little (f.e. museums / interns)
- The financial literacy test should be developed further. It could help funds to test the financial literacy of a (possible)participant.

6.4 Recommendations for governments and their intermediaries

- They could cooperate to provide more insight and overview in the diversity of financing choices and possibilities
- They could enable more one-on-one consulting on financial advice
- They should provide more learning opportunities before starting financing to have applicants gain insight in their own enterprise, not only short-term, but also in the consequences for the longer term

6.5 Further research suggestions

1. Look into the development of the Financial literacy test further, so it becomes a standard and accepted diagnostic tool in the cultural and creative sector as part of advice and knowledge development.
2. Research how financial literacy could be more integrated in entrepreneurship education within arts education. Which financial competencies should be part of the art curriculum?
3. One of the main findings of the research is the vicious circle of too little time / knowledge / money which results in living from project to project without longer term financial planning. Develop research on how to break this vicious cycle, f.e. by interviewing those who broke this vicious cycle, either by themselves or with outside help.
4. The present research should be duplicated but then within one discipline, f.e. within music or visual arts or another discipline to gain deeper understanding of the mechanisms which are at work here.
5. Few financiers and financial advisors are aware of the complexities of stacked financing within the cultural and creative sector. There should be research detailing the complexities

of stack financing within this sector and share the results with financiers, funds, artists and creatives.

6. Following up on research suggestion no. 5 should be an inventory of financial competencies financial advisors need to work in this sector and train a new group of financial advisors, followed by the introduction of a quality stamp system.
7. More research into the relationship between taking risks (in terms of content) and risk avoidance in financial terms, which was seen in the results of the financial literacy test.

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8. Appendixes

1. Text financial literacy test
2. Topic list for group meetings

Appendix 1 Financial Literacy Test

Deel I Financieel rekenen

1. Stel dat je € 100 moet lenen. Wat is het laagste bedrag dat moet worden terugbetaald?
 - a. € 105
 - b. € 100 plus 3%
 - c. Weet ik niet
 2. Stel dat de prijzen van de dingen die je koopt de komende 10 jaar verdubbelen. Als je inkomen ook verdubbelt; wat kunt je dan kopen:
 - a. Minder dan je vandaag kunt kopen
 - b. Hetzelfde als je vandaag kunt kopen
 - c. Meer dan je vandaag kunt kopen
 - d. Weet ik niet
 3. Stel dat je € 100 had op een spaarrekening hebt staan en de spaarrente is 10% per jaar. Hoeveel geld zou je na vijf jaar op je rekening staan als je geen spaargeld opgenomen hebt?
 - a. Meer dan € 150
 - b. € 150
 - c. Weet ik niet
 4. Stel dat je twee jaar geld op de bank zet en de bank en de spaarrente 15% per jaar is. Kan de bank in het tweede jaar meer geld aan je rekening toevoegen dan in het eerste jaar, of voegt het in beide jaren hetzelfde bedrag toe?
 - a. Meer
 - b. Hetzelfde
 - c. Weet ik niet
 5. Stel dat je wat geld over hebt en je wilt meer rendement dan een spaarrekening maar je heb een scherp oog voor risico. Is het veiliger om je geld te stoppen in:
 - a. Eén bedrijf of investering
 - b. Meerdere bedrijven of investeringen
 - c. Weet ik niet
- 1a, 2b, 3a, 4a, 5b. [1 punt per goed antwoord is maximaal 5 punten]

Deel II Waarde creatie & business model

Informatie voor vraag 6:

Christie's veilt kunstwerken en ontvangt per veiling commissie. Als Christie's meer veilingen verzorgt, maakt het bedrijf meer winst. De winst van Christie's is in de eerste helft van het jaar met 33% gestegen als gevolg van een toename van 40% in het aantal veilingen. Als gevolg hiervan zijn ze van plan om het aantal medewerkers in hun 27 veiling-vestigingen met 20% te verhogen. Er werken momenteel 1755 mensen bij Christie's waarvan 162 in deeltijd.

Vraag 6: Er is een directe relatie tussen de procentuele verandering in het aantal veilingen en de procentuele stijging van de winst. Analisten hadden voorspeld dat het aantal veilingen met 45% zouden

stijgen en hadden aanvankelijk de toekomstige middelenvereisten voor die toename berekend. Met welke procentuele stijging van de winst hebben zij gerekend?

- A) 28%
- B) 37%
- C) 29%
- D) 45%
- E) 38%
- F) Ik weet het niet

Antwoord: B: het verhoudingsgetal dat de stijging van de winst ten opzichte van de inkomstenbron vertegenwoordigt is $40/33 = 1,21$. Om een stijging van 45% van de winst te kunnen genereren is een toename van $45/1.21 = 37,125\%$ nodig. Twee punten voor het juiste antwoord.

Informatie voor vraag 7:

Diller, Scofidio & Renfo Design Studio besteedde het afgelopen jaar € 2,6 duizend aan vergoedingen voor externe design professionals van het totaal van € 7,8 duizend dat in die periode uitgegeven werd. De gemiddelde tijd die door de externe designers werd besteed aan het verwerken van opdrachten is verminderd door het introduceren van beter projectmanagement en meer flexibele manier van werken. Typische high profile opdrachten zoals New York City High Line Park hadden voorheen een doorlooptijd van 4 jaar maar worden nu in veel gevallen in 3 jaar afgerond.

Vraag 7: Diller, Scofidio & Renfo is van plan het aandeel van de totale uitgaven voor vergoedingen aan design professionals met 10 procentpunten te verhogen om te profiteren van de toegenomen productiviteit. Het totale uitgavenbudget blijft ongewijzigd. Hoeveel zullen ze besteden aan personeelskosten voor design?

- A) € 8,58 duizend
- B) € 2,86 duizend
- C) € 3,38 duizend
- D) € 2,83 duizend
- E) € 3,60 duizend
- F) Ik weet het niet

Antwoord: C: Er werd in het afgelopen jaar één derde ($2,6/7,8$) van alle kosten uitgegeven aan design professionals. Als dit het verhoudingsgetal met 10 procentpunten stijgt wordt, zullen de designkosten $0,4333$ van de totale uitgaven zijn. Dat getal maal 78 is gelijk aan 3,38. Twee punten voor het juiste antwoord.

Informatie voor vraag 8: Onderstaand de financiële gegevens van de Engelse fabrikant Ottone Ltd. die gespecialiseerd is in de productie van smeltovens voor bronsgieters.

Overheads (£)	Month 1	Month 2	Month 3
Wages	160,000	160,000	175,500
Rent	180,000	180,000	180,000
Marketing	25,000	19,000	23,000
Bank fees and charges	2,000	2,000	2,500
Maintenance	5,000	3,750	4,000
Utilities	1,200	1,800	1,750
Insurance	9,000	9,000	9,000
Total monthly overheads	382,200	375,550	395,750

Costs per unit (£)	
Manufacture	260
Distribution	2,580
Other	650

Sale price per unit (£)	
Price per unit	8,000

Vraag 8: Ottone Ltd. verkocht 130 smeltovens in maand 2. Wat was de winst voor die maand?

- A) £ 210.750
- B) £ 100.030
- C) £ 586.300
- D) £ 453.700
- E) £ 140.000
- F) Ik weet het niet

Antwoord: A: Marge is variabele opbrengst minus variabele kosten (8000-260-2580-650=4510). Aantal verkochte ovens maal marge is 130 maal 4510 = 586.300 opbrengst. Dit bedrag minus overhead kosten maand 2: 586.300 minus 375.550 = £ 210.750. Twee punten voor het juiste antwoord. [2 punten per goed antwoord is maximaal 6 punten]

Deel III Financiële voorkeuren en redeneringen

Vraag 9: Maak een lijst van alle verschillende bronnen van inkomsten die een creatieve professional in het algemeen kan aanboren. Welke bronnen gebruik je nu niet en geef aan welke van deze niet gebruikte bronnen in de toekomst wel of niet in aanmerking zouden komen. Geef de reden waarom deze in jouw geval wel of niet in aanmerking komen.

Inkomstenbronnen: verkoop, sponsoring, subsidie, filantropie. Score: 1 punt per genoemde bron. Uitleg wordt niet gescoord maar geeft inzicht in wijze waarop respondent financieel redeneert in kwalitatieve zin.

Vraag 10: Maak een lijst van alle verschillende financieringsvormen die een creatieve professional in het algemeen kan gebruiken.

Geef voor elke van deze vormen de voor- en nadelen die jij in het algemeen (niet specifiek voor jouw situatie) ziet. Welke van deze financieringsvormen gebruik je nu niet en geef aan welke van deze niet gebruikte bronnen in de toekomst wel of niet in aanmerking zouden komen. Geef de reden waarom deze in jouw geval wel of niet in aanmerking komen.

Financieringsbronnen: lenen, crowdfunding, vooruitbetaling door opdrachtgevers, uitgifte aandelen.
Score: 1 punt per genoemde bron. Uitleg wordt niet gescoord maar geeft inzicht in wijze waarop respondent financieel redeneert in kwalitatieve zin.

Vraag 11: Je kunt kiezen uit twee zorgverzekeringen. Verzekering 1: € 300 eigen risico en jaarpremie is € 1300 per jaar; Verzekering 2: € 700 eigen risico en jaarpremie is € 1000 per jaar. Welke zou je kiezen en geef een uitleg bij je keuze.

Keuze 1 (2) : Hoge (Lage) mate van risico-afkerigheid. Uitleg wordt niet gescoord maar is check op validiteit vraag.

Vraag 12: Je hebt een opdracht gekregen die je erg graag wil uitvoeren maar je komt tot de conclusie komt dat je niet voldoende geld hebt om de opdracht uit te voeren. Je hebt besloten een lening te nemen die je na drie jaar wil terugbetalen omdat je denkt dat het zo lang duurt om de opdracht af te maken. Stel dat er je alleen kan kiezen uit twee geldbronnen: lening 1 heeft een rente van 5% per jaar maar wordt verstrekt door een organisatie met een winstmotief, lening 2 heeft een rente van 7% per jaar maar heeft geen winstmotief. Welke lening kies je? Geef aan waarom je de keuze maakt.

Keuze Lening 1 (Lening 2): lage (hoge) mate van afkeer van commercieel gemotiveerde financier

Uitleg wordt niet gescoord maar is check op validiteit vraag.

Vraag 13: Stel dat er je alleen kan kiezen uit twee geldbronnen voor een driejarige lening die je nodig hebt: lening 1 heeft een rente van 5% per jaar maar vergt wel dat je regelmatig een administratie bijhoudt en je wordt geacht maandelijks te rapporteren hoe de voortgang van je project is ten opzichte van een overeengekomen tijdschema. Als je teveel achter blijkt te lopen op schema moet je de lening terugbetalen. Lening 2 heeft een rente van 8% rente maar vergt geen administratie en rapportage. Welke lening kies je? Geef aan waarom je de keuze maakt.

Keuze Lening 1 (Lening 2): lage (hoge) mate van afkeer van opgeven autonomie.

Uitleg wordt niet gescoord maar is check op validiteit vraag.

Vraag 14: Je hebt een opdracht gekregen waarvan je vrij zeker weet dat deze veel winstgevender dan de gebruikelijke opdrachten die je doet: per gewerkt uur verdien je twee keer zoveel dan je gewend bent. Het is wel een grote opdracht die drie jaar in beslag neemt en waarvoor je niet voldoende geld hebt om deze uit te voeren. Als je de opdracht goed uitvoert dan is de verwachting dat je meer van dit soort lucratieve opdrachten gaat krijgen. Je zoekt financiering. Stel dat je kan kiezen uit twee bronnen. Bron 1 is een driejarige lening met een jaarrente van 8%. Bron 2 vraagt om een deelname via aandelen in je bedrijf. Dat betekent dat je 10% van de winst die je gaat maken afstaat aan de bron maar je hoeft

geen rente te betalen en als je een jaar geen winst maakt hoef je niets te betalen. Welke bron kies je? Geef aan waarom je de keuze maakt.

Keuze Bron 1 (Bron 2): hoge (lage) mate van afkeer van opgeven financiële upside potential.

Uitleg wordt niet gescoord maar is check op validiteit vraag.

Appendix 2 Topic list for group meetings

Topiclijst – Financiële beslissingen nemen

1. Als je moet nadenken over financiële beslissingen, waar komt je motivatie dan vandaan? Is het puur economisch / financieel of komt het ook van wat je wilt met je project?
2. Denk je dat het nuttig is om je bezig te houden met financiële beslissingen?
3. Heb je zin om je ermee bezig te houden of besteed je liever tijd aan creatieve activiteiten? Waarom doe je het toch?
4. Ervaar je normen op het gebied van financiering, zie je de tegenstelling tussen artistiek en commercieel succes? Waar bestaat die uit?
5. Zie je jezelf vooral als kunstenaar en/of zie je jezelf als een (creatief) ondernemer? In welke context zie jij jezelf als een ondernemer? En wat betekent ondernemerschap?
6. Welk beeld van financiering kreeg je gedurende je opleiding? Zijn er perspectieven later in je loopbaan veranderd? Werd het onderwerp vermeden, werd er ooit over gesproken?
7. Wordt financiering verondersteld je eigen probleem te zijn? Of vind je dat anderen er voor dienen te zorgen?
- 8.A Hoe gaan anderen, wiens mening belangrijk is voor je, hiermee om? Wiens mening over financiering is belangrijk voor je? Waarom? Zien anderen financiële beslissingen als natuurlijk onderdeel van hun werk?
- 8.B Wat verwachten verschillende gatekeepers op dit onderwerp van je? Denk aan critici, peers, agenten, investeerders, overheden
9. Beïnvloedt de interacties tussen verschillende gatekeepers de manier waarop jullie denken? Welke delen van jouw groep?
10. Heb je er de juiste persoonlijkheid ervoor? Wat voor soort persoonlijkheid zou je moeten hebben om je bezig te houden met financiële beslissingen? Is dat echt zo?
11. Moet iemand anders je helpen? Wie zit er in je netwerk die financiële expertise heeft? Indien niet aanwezig, waarom niet? Is dat met opzet?
- 11.A Komt het je werk ten goede om je met financiën bezig te houden?
12. Pas je financiële planning toe? Over welk tijdsbestek: 6 maanden - 4 jaar? Op basis van je projecten of gebaseerd op je levensbehoeften?
13. Zou je jezelf als een expert beschouwen als het gaat om financiering? Volg je financieel nieuws? Hoe ga je om met je persoonlijke financiën (buiten je professionele praktijk)?
14. Heb je een voorkeur in volgorde als je denkt aan financiering? Eigen geld, familie/vrienden, subsidie, leningen, crowdfunding ...?
15. Als je financiering nodig hebt, welke stappen zet je dan?
16. Wat voor problemen ervaar je bij financiering? Denk aan je eigen kennis en vaardigheden, aan het bestaande aanbod van financieringsinstrumenten, aan het proces van vinden van het juiste instrument? Passen de financieringsmogelijkheden bij jouw situatie? Zo nee, waarom niet?
17. Als je kijkt naar verschillende vormen van financiering, hoe kijk je dan aan tegen de risico's van verschillende vormen?