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Composing and Management

A Model for Creative Leadership

Immanuel Kant categorized the Arts as belonging to the realm of freedom and the Economy to the realm of necessity. I'll try to explain in my lecture that the opposition between Arts and Economy include a germ of mutual interdependence, which is creativity.

Let us first discuss the economy of the Arts and then the creative aspects of economic development.

To discuss the economy of the Arts is a new and strange perspective, because the Arts are traditionally the realm of a nonprofit activity. Until the 20th cent. it is, what we call a donation economy. In the history of arts you hardly find hints about the economic background for the Arts production. This has changed. We now know exactly, how much Georg Friedrich Händel was paid for his compositions and that he made a fortune as a composer. When he founded his own opera company in London he was responsible for the accounting and the fact that he started composing oratorios after 1728 is due to the fact that the pricing for opera stars had run out of proportion. His Royal opera company went bankrupt in 1728 and in consequence he reshaped his entrepreneur activities, concentrating on the less costly oratorium production. In fact we owe the most accomplished masterwork of the baroque era to an economic crisis of opera production. Of course opera is one of the most expensive art forms and it seems natural that economic skills are part of the game to become successful. Recent research however has shown that even a genius like Johann Sebastian Bach, being profoundly religious and devoting his composing to God: *Soli Deo Gloria* has been an astonishing talented economist, which was the tradition of a musician serving the church. The salary, he received at the Thomaskirche was a "basic income", to which he needed to provide an additional income, in order to feed his numerous family. Bach succeeded however to triple his basic income by exploiting all possibilities to add value to his professional skills as an organ expert, printing and selling the librettos to his cantatas every Sunday or pedagogical music.

Let us therefore try to adapt the theory of economic development to the economy of arts. Joseph Schumpeter has been the "enfant terrible" of economic theory in the 20th century. He pointed out the "irrational" aspects of economic development because he regarded the economy as an integral part of society in general. His main arguments are:

- „The social process is really one indivisible whole. Out of its great stream the classifying hand of the investigator artificially extracts economic facts. [...]
- Social facts are, at least immediately, result of human conduct, economic facts result of economic conduct. And the latter may be defined as conduct directed towards the acquisition of goods“.[...]
- Everyone must, at least in part, act economically“.

If everybody must act economically, also the artist does. A painter needs to finance his expenses, oil, canvas etc. and he needs an income to make his living; a composer does not have large expenses, a pen and a paper is sufficient, but the score of the composer is like the draft of an architect. It needs to be realized by an ensemble of musicians or a whole orchestra. The employment of an orchestra is

costly, dependent on the quality and reputation of the musicians. Where does this money come from? Traditionally it came from the church authorities or from aristocrats. The construction of cathedrals in France and Italy in the late middle ages is an example for creating employment for a large number of artists, sculptors, painters, musicians etc. The Lutheran reformation gave birth to the highly developed North German organ school. Organ builders like Arp Schnittger produced dozens of very expensive and sophisticated instruments, which inspired Johann Sebastian Bach to his monumental organ compositions. In the 17th and 18th cent. monarchs like Louis XIV founded excellent orchestras and most European courts competed with each other in order to have the best musicians. The Prussian King Friedrich Wilhelm however dissolved in 1713 his band and fired all musicians. Now unemployed they had to look for new jobs and some of the best were engaged at the court of Köthen by the young music lover Prince Leopold of Anhalt Köthen. Johann Sebastian Bach became the bandmaster there in 1717. We owe the virtuosic texture of the famous "Brandenburg concertos" to this fact. Bach could go much farther with his musical ideas, as with the semiprofessional musicians he had worked with before and the virtuosos from Berlin inspired his creativity.

We can summarize that until the 20th century the churches both catholic and protestant and the aristocracy were sponsoring the Arts. The rise of the bourgeois class in the 18th cent. led to the establishment of an independent arts market. After the introduction of democracy this financing has gone over more and more to the State or as in the case of the United States it is based on donations. In Germany 7 Bio € of tax money are given to the arts p.a. The museums, opera houses etc. in the major cities attract a lot of tourists and create employment. A recent study of the WWIH, shows that in cities like Köln, Stuttgart, München, Hamburg or Berlin up to 10 % of the population work in the cultural sector. The donations economy can be a very important element in the global economic development as Richard Florida has shown in his study "The rise of the creative class".

Let us look at the other side: Management skills are often solely concentrating on the technical side of the profession. A Manager must be aware of the legal aspects of his business, he has to optimize the production and distribution process, he has to correct misbehavior of his employees and of course he has to know how to count in order to provide a proper balance sheet that satisfies his shareholders and bankers. There has been very little attention paid to the creative side of the profession.

It was the Austrian economist Joseph Schumpeter who pointed out the importance of "creative skills" for the rise of the "entrepreneur" 100 years ago. In his „Theory of Economic development“ he shows, that *innovation* is an important factor for the creation of business cycles. It was the achievement of a few individuals e.g. Thomas Edison, Henri Ford that caused a period of hitherto unknown prosperity. Schumpeter has been called the father of innovation research. Although 100 years old, his theory has proven to be valid even for recent economic development. Creative minds like Bill Gates, Larry Page & Sergey Brin, Steve Jobs or Mark Zuckerberg have caused in the business world what Schumpeter called „creative destruction“ based on innovation. These modern "entrepreneurs" are not the classical type of manager. Their careers are unconventional. They started with an idea and a vision and they became "innovators", which means that they broke with old traditions and created new ones and thus transformed an idea into a powerful economic reality.

I would like to extend my observation on the mutual interdependence between creativity and management, which leads to innovation. My argument is that the innovation pattern is quite similar in the arts and in entrepreneurship.

As mentioned before, I am aware of the fact, that in general it is not common that artists have management skills, neither that managers have a creative talent. There are only a few exceptional individuals that have this larger scope of skills. But these few individuals make "the difference". We now live with the image of the romantic artist, who is withdrawn from reality, a kind of superhuman prophet, being in contact with supernatural powers, but if we look at the reality of an artist in the past, we see a strong talent for management skills, which has played an important role of the realizing of the artistic project. George Gershwin realized his American opera Porgy and Bess on his own account. He had a commission from the metropolitan Opera in New York, but he knew the work would be performed there only a couple of times. He then hired a theatre and the cast himself, financing everything from his own pocket in order to make the piece accessible to a large number of persons. The opera run over 30 performances and is today one of the most frequently performed American operas worldwide.

Looking at the manager side we live with the image of the capitalist, who tries to create a monopole, where he can dictate prices and thus make a huge profit. But looking at Steve Jobs, one of the most successful "entrepreneurs" of the 21 century, we see a different picture. He was not interested to make a profit for himself, but to realize his visions. With Apple he created much more than a brand, but a new life style, harmonizing the odds of the clumsy machine, called personal computer into a pleasant and sensual object with a Renaissance like appeal of beauty. His invention of the "i-Pod/i-tunes" combination is revolutionary and a recent example for "creative destruction". The plans of the 5 majors in music industry to create a platform for legal download of music were crossed and Steve Job made the game, creating a quasi-monopole for legal downloading worldwide.

We can identify a "typus of personality" that fits the profile of the „the innovator“ in the "realm of the free arts and the realm business". The essence of the innovator is that his will for change is stronger than the ambition to become famous or to make a profit. But what is it that drives him to "change the world"? And what is the process that makes change possible?

„...the typical entrepreneur is more self-centred than other types, because he relies less than they do on tradition and connection and because his characteristic task – theoretically as well as historically – consists in breaking up old, and creating new, tradition“

Schumpeter 1912:86

In order to understand this process, we have to go back to the basis of Schumpeters economic theory: His main argument was that „the meaning of economic action is the satisfaction of wants in the sense that there were no economic action if there were no wants“ p. 89. This holds true for both works of arts and other goods. We also speak of „consumers pull“ in modern lean management theory. The special characteristic of the „innovator“ is that he does not start his action by reflection how he can better satisfy the wants of the consumer; the „innovator“ persuades or educates the consumer „to want new things, or things which differ in some respect or other from those which they have been in the habit of using“. (Schumpeter 1912:63). In modern lean management theory we call this "push" economy. Let us exemplify Schumpeters theory here with two epochal „innovators“:

on the artist side the American composer Charles Ives, and on the entrepreneur side the American „inventor“ Thomas Edison.

When Charles Ives finished his studies at Yale University he was sure, he didn't want to satisfy the wants of the romantic music lover. He wanted change, radical change. He discovered a new continent of sound, which were liberated from the traditional tonal system. By combining tonal and atonal musical structures he created a new listening experience without precedent. In fact he decided to become a business man in order to be financially independent and to pursue his experimental musical research without economical pressure. He founded with a friend Julian Myrick an insurance company Ives & Myrick, which became so successful, that he could retire from business life at the age of 56 and devoted another 24 years promoting his music. The „innovator“ is first seen by the public as a „fool“. The same happened to Ives. Even professional colleagues were seriously disconcerted or laughed at him, when he presented his compositions. Ives didn't give up and was quite sure of himself and fortunately he lived long enough, to see his „time arrive“. In 1951 Leonard Bernstein performed Ives 2nd symphony with the New York Philharmonic orchestra and today Ives is seen as the father of new classical American music. Especially in Europa his works are in increasing demand. There was and is no want for Ives music, but everybody who happens to listen to „The Unanswered question“ is charmed by the surprising interaction of sound layers.

The same process of innovation can be exemplified by Thomas Edison. There was no want for electricity from the consumer side in the 19th century. Few people knew that it existed. And the biography of Edison shows that he had an incredible perseverance in order to transform his inventions into innovations. The main difference between invention and innovation in the definition of Schumpeter is that inventions are economically irrelevant as long as they do not have an impact in the economic system. Edison discovered the immense possibilities of electricity for the daily life of the consumer and educated the officials of to invest into electrification of the cities, starting in New York. Electrification was the “creative destruction” of the system to lighten with gas lamps. The electric Edison Lamp destroyed the market of gas lamps. In the world of music Edison brought substantial change with the invention of the phonograph. It enabled ethnomusicologists to preserve orally transmitted musical traditions. We see Bela Bartok travelling around Eastern Europe with his Edison phonograph. But not only ethnomusicologists, also a second generation of “entrepreneurs” like Emile Berliner developed Edison's idea further und created 1995 the gramophone, a product that was able to reproduce music in a fairly good quality. A third generation of “entrepreneurs” used these new possibilities created by Berliner and started to use this new technology for a new concept of music publishing. Ralph Peer, I made the link between recording & copyright. The possibility to create an exact memory of a song, meant, that it could be protected by the law, as intellectual property. This had an impact for the market of popular music. Orally transmitted songs like Gospel, Jazz, Blues, Country & Western, became quickly more popular than the artificial Tin Pan Alley production, based on sheet music. There are a lot of musical styles that cannot be transcribed into our notation system. But now with the emergence of radio stations and record production they could. Orally transmitted music of Afro-American origin is the basis of the music industry until today. It destroyed the popular sheet music market, but created a new record market, which produced an unseen prosperity for music publishers.

The will for change demands a special form of “creative leadership”. Without leadership no invention will become an innovation. Schumpeter points out that creative leadership is something fundamentally different from administrative leadership, which is a system in order to provide a

hierarchical order, in which obligations and responsibilities are clearly communicated and divided. "Creative Leadership" means to empower a group of birds of a feather to fight through the transitional period from the old to the new. It needs courage, long hauled perseverance and a feeling for the right moment (*kairos*). Often inventions come too early. The time is not ripe. It is important to be patient. Charles Ives had to wait more than 50 years until his musical inventions became an innovation. He founded a network for avantgarde American Music together with Henry Cowell, Lou Harrison, Mark Slonimsky, Ralph Kirkpatrick and many others. Ives became the leading figure of this movement. He sponsored a lot of performances in Europe from his own pocket money. The dollar was strong at that time and the birds of feather of Charles Ives spread the new esthetics around the world and it was in Europe that Ives more advanced musical experiments became famous.

It is the awareness of new existing possibilities that leads to the breaking through of an invention into the market of opportunities. To lead through a transitional period from the old to the new will create a lot of enemies and opposite numbers. You have also to be lucky to win the game.

Schumpeter predicted that the importance of individuals for the innovation process will be replaced by "innovative teams". We can observe this in the technological sector, where companies as IBM have successfully provided open team structures that concentrate on innovation. Business schools are now giving courses for "innovation" or "Change management".

The implantation of "innovative teams" or "change management" in the theory and praxis of economic development leads us to a recent research of the sociologist Richard Florida. In his bestseller "The rise of the creative class" from 2002, he observed a change in social behavior since the 70ies. He does not identify a single personality that causes this change, but a cluster of individuals that he calls the "creative class".

„If you are a scientist or engineer, an architect or designer, a writer, artist or musician, or if your creativity is a key factor in your work in business, education, health care, law or some other profession, you are a member. With 38 Mio members more than 30 % of the nation's workforce, the creative class has shaped [...] profound shifts in the way we work, in our values and desires, and in the very fabric of our everyday lives" (Florida 2002/2012: XXI)

The Rise of the cultural industries during the 50ies is the cradle for the rising "creative class". With the breaking through of the "Rock n Roll Revolution" a new pattern of life and behavior caused a cultural revolution in Western Society. Expanding TV-stations, film- and recording studios as well as journals, internet Webpages, smartphones, journals need creative minds to feed the wants of the consumer. Florida is convinced, that the creative class although not united by a trade union or a political party are the secret cause of economic prosperity in the Western world. This is due to globalization of course, because the new "working class" lives in Asia. Richard Florida:

„...there is a common thread: the role of creativity as the fundamental source of economic growth and the rise of the new creative class“

Let me conclude my argument with my initial thesis: "Creativity is the germ for the mutual interdependence between the Arts and Management". The current definition of creativity is: The ability to create meaningful new forms (Webster dictionary). Florida points out that creativity is the same mental process, whether it is practiced in the Arts or in other fields:

„The varied forms of creativity that we typically regard as different from one another technological creativity (invention) economic creativity (entrepreneurship) and artistic and cultural creativity, among other – are in fact deeply interrelated. Not only do they share a common thought process, they reinforce each other through cross-fertilization and mutual stimulation“. (2002 rev. 2012: 20)