

Part I

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1. Historical Foundations of a Contemporary Management Culture

About one hundred years ago, the great German economist Werner Sombart undertook a broad historically far-reaching, and stylistically expressive effort to present the “spiritual history of economic modern man”. In his magnum opus *The Bourgeois*, first published in 1913, the contemporary of Georg Simmel, Max Weber and Joseph Schumpeter analyzes the “development of the capitalist spirit” (Sombart 1923).

Whereas Max Weber is only concerned with the “conditionality of the development of a business attitude”, emphasizing the interrelations of the modern business ethos which derived from the spirit of the rational ethics of ascetic Protestantism, Sombart wants more.

For him, the religious and ethical implications present only one aspect of the overall picture of “spiritual characteristics and actions, which come into consideration when doing business. All expressions of intellect, all traits of character, which become evident in business endeavors. But also all objectives, all value judgments, all principles that decide and regulate the behavior of the working man. I conceptualize the term in a very broad sense, instead of limiting it, as it is usually the case, to that very part which can be described by business ethics, which is the morally normative in the realm of the economic. The former is only one part of what I call the spirit of economic life.” Therefore, ethics are a priori an integral part of economic thought and action – they are neither an appendix nor a supplement but an ingredient.

Sombart flatly refuses the academic doctrine – prevailing not only among his contemporaries – of a given “economic human

nature”, as an anthropological constant, which defines the striving for profit and profitability in all eras.

The “differences of the working spirit” valid for Sombart are being linked to a historical perspective, dedicated to the respective “dominating”, theoretically and empirically grounded spirit of an economic era. Nevertheless, he explores the basic determining factors of the nature, or as we might say today, the basic psychological and mental disposition of the capitalist spirit, thereby showing impressive ingenuity. Instructive for our current discussions seems to be the insight – and on this matter Werner Sombart and Max Weber agree despite all differences – that “acquisitiveness”, the pursuit of the highest possible profit, is not the essence of modern capitalism.

“This pursuit”, as Weber puts it, “can be found in waiters, doctors, coachmen, artists, cocottes, corrupt civil servants, soldiers, bankers, gambling house operators, beggars: – one could say: in all sorts and conditions of men, at all times in all parts of the world, where ever it is possible.”

Thus, greed, speculation, and unrestrained profit are not the origin of the capitalist spirit – but what is? Sombart identifies two mental mint marks which have served as value orientation and practical model into our modern times: it is the “spirit of entrepreneurship” as an anthropological impetus, which loses its pirating pre-capitalist trait of character by means of bourgeois virtues and takes its modern shape in the ideal of the “honest merchant”.

The creative and expansive energy of entrepreneurship and the business principle of virtuousness that evolved from civilization are creating a fertile, forward-looking symbiosis. “The spirit of entrepreneurship is the epitome of all mental qualities which are necessary for the successful realization of an enterprise.” Despite all the differences between the respective entrepreneurial task, its dimension, its societal context,

Sombart attests a comprehensive ability that characterizes every successful entrepreneur irrespective of the size and complexity of his or her enterprise: “The entrepreneur (...) always has to be threefold: conqueror – organizer – tradesman.”

For Sombart, the term “conqueror” characterizes a resourceful, inventive man of action who knows how to turn spiritual freedom into an adventurous and daring spirit, and who pursues his plans and goals with great determination. The “organizer” embodies the experienced anthropologist and strategically thinking human resource developer who succeeds in forging a productive whole of a group of people.

Finally, the “tradesman” represents the not only the customer- and market-oriented salesman, but first and foremost the great communicator, who knows how to negotiate, court, and moderate. Conqueror, organizer, and tradesman incorporate all the characteristics and skills, which constitute professional and creative management. Structuring and coordinated planning, organizing, leading and controlling, communicating and marketing are the foundations of every enterprise.

Nevertheless, the added value of success is decided by the perfect synthesis of conqueror, organizer, and tradesman. But Sombart adds two more basic qualifications, which can only be learned to a certain extent: presence of mind and determination.

Understanding entrepreneurship in this way means it is not bound to any regulatory framework, legal form, structures, or political paradigms – the spirit of entrepreneurship is an attitude, a psycho-mental disposition, a matter of personality beyond all particularities of the system. Entrepreneurship and its underlying spirit as a universal parameter cannot simply be reduced to acquisitiveness and, least of all, to the distorted picture of the profit-driven capitalist.

By defining the intellectual criteria for qualification, Sombart gets even more concrete in profiling the requirements for leaders

of this kind: no humanist or cultural scientist could be more poetic or precise formulating this essential mental condition, these educational requirements for the entrepreneurial personality as Sombart is asking for three traits of character: “smart”, “clever”, and “brilliant”.

“Smart” means readiness of mind, “great mental flexibility and orientation”, “having an eye for the essential”, “keen sagacity” and sustainable thinking. At the same time, those characteristics outline the core competencies of a strategic thinker.

“Clever” refers to “experience with people and the world”, “creative power”, essential requirements for professional human resource development and responsible business and personnel management.

Finally, “brilliant” means “full of ideas”, combined with combinatorial imagination. This way, analytical and strategic thought and action merge with leadership skills and creativity – individual talents, vitality and drive. They are individual gifts and talents fulfilled through energetic and action-oriented entrepreneurship. However, these characteristics are what makes entrepreneurship interesting, to describe the social relevance of entrepreneurship we must add another characteristic to the nature of entrepreneurship, one that anchors entrepreneurship in society and social norms: “a sense of duty”.

This picture of the entrepreneurial nature is geared towards special characteristics. Within the “process of civilization” it requires at the same time a foundation *in* and an extension *of* the civil society.

Even almost one hundred years after Werner Sombart and Max Weber, management guru Peter F. Drucker states consequentially: “entrepreneurship is not *natural*, it is not *creative*. It is work. (...) Entrepreneurial business treats entrepreneurship as a duty. They are disciplined about it, they work at it, they practice it.”

This is why Sombart ranks the “spirit and nature of the bourgeois” and the “spirit and nature of the entrepreneur” equally. Yet, the ideal of the “honest merchant” today, tends towards the modern type of the hard-working man of duty and reason, who carries out his economic activities as “quintessential tradesman” or “hard-working merchant” in the context of a “doctrine of virtues” based on values and principles.

In more prosaic words: since the Renaissance and increasingly so since the Enlightenment, we have been dealing with questions concerning the internal organization of the economy as well as the relation of economic agents to their customers in particular and to the outside world in general, in times of emerging globalization and later, industrial capitalism.

This kind of self-justification and self-understanding including its central value concepts, and the cultural habitus of the “merchant” does not only constitute the identity of a new social class, but also aims at social acceptance within an actively perceived responsibility in the first place.

In the writings of Alberti, Daniel Defoe, Benjamin Franklin, Adam Smith, Werner Sombart, and Max Weber, this comprehensive, collective consciousness which includes the environment or the community, creates the civil ethos of common public interest, public spirit, charity, and philanthropy, which we have to measure up to today since it is the foundation of every free democratic order of European provenience.

The merchant’s keen awareness of the scarcity of resources and the resulting need for an efficient use of space and time result in his particular understanding of duties vis-à-vis society and community. “Honor” means “truthfulness”, this was and is the dictum of economic action in the European context. This should be remembered today, as Rainer Hank remarked:

“Ideas created capitalism. The adventures of European economic history started in peoples’ minds, not in machines. Our cur-

rent wellbeing is based on a change in attitudes, virtues and convictions regarding wealth, success, risk and competition. It is not European arrogance but historic truth to say that an ‘ethic and rhetorical tsunami’ (Deidre McClosky) started with the European bourgeoisie in early modern times and we are still profiting from it.”

This new enterprising, researching and analytical, hence radically changing human spirit was the primary “capital” of modern capitalism. Nothing else! Let us never forget: until long into the 18th century labor, markets, credits, interest and pursuit of profit were often socially, religiously and philosophically frowned upon – despite the protestant ethic and global trade. It was a capitalist entrepreneurial spirit paired with bourgeois conceptions of virtue, which provided the basis for the social change and progress to which a continuously growing number of people owe their wellbeing.

The “honest merchant” is the first economic subject to defy the boundaries of feudal economic hierarchy; he initiates and embodies free enterprise and a free world, including the conscious taking of risks. “Trade brings change”, an old saying goes and that simply means: the world and the image of the world are changing.

The merchant and later the entrepreneur and the manager are economic subjects specific to a certain period, but they are the main protagonist in it. All of them though, are ready to be “irritated” and able to “imagine the world differently”, noticed Dirk Baecker. And, this world is already starting to look differently.

So let us try to put past and present into perspective. The global financial crisis has led to many hard insights, for example the old, human approach to solving problems by putting them behind some imaginary border does not work anymore. Today everything is connected – geographically, temporally and in terms of causation.

The mechanism of outsourcing problems only works as long as there is an environment that remains without contact to one's own world. The stench of yesterday's garbage dumps reaches today's residential areas. Even the sky is not without limits anymore.

The globalized world does not know an "outside" anymore and it does not know postponement to the future. The old strategies of disposal do not take effect anymore, because moving costs and debts up to the far future will not be successful.

Quicker than ever before the losses have to be accounted for: "The garbage left for future generations always lies in the front yard", the literary scientist Albrecht Koschorke knew already. The finiteness of resources – environmental, financial, social – requires a new culture of collective responsibility based on the spirit of European capitalism, and, as it did 500 years ago, the change starts in the minds.

The entrepreneurial spirit unlimited by government has been caught up by the interdependencies of global capitalism. Today we need rational, calculated actions that consider the limited resources and the limited space. This calls for a new thinking, for a value-based, "wise", "clever", and "brilliant" consciousness to prevail.

We cannot hand out social premiums on the future anymore – this political lie is dead. What does that mean for managerial thought and action in the encompassing "spirit of economics" as defined by Werner Sombart?

The answer has to be about more than reflections on the ethics of economics which usually serve as an alibi that provides momentary catharsis, only to fall right back into old patterns and habits.

About a decade ago the great Peter F. Drucker summed up the legacy of his discipline and profession: "That I focused this discipline on People and Power; on Values, Structures, and Consti-

tution; and above all, on responsibilities – that is, I focused the Discipline of Management on management as a truly liberal art.”

The fundamental change that we need to bring about cannot be based on cosmetic changes. Rather, it requires a fundamental reflection on and change of the self-image of leaders in politics and business and a focus on the guiding principles and mission of their actions.

Management as a liberal art, as the creative art of leadership has to be aligned with a universal “morality of business” in the spirit of Sombart: “morality in business” and “morality for business”. The first includes the basic of business solidity and business virtues that is correct accounting and the principle of *pancta sunt servandum* as the necessary prerequisites for socially accepted honor and respectability.

Only “morality for business” creates bourgeois respectability, which should not only be socially desirable but also from a business perspective. Sombart would never have distinguished between “hard” and “soft” factors of business success and this is the strength of his ideas and this is what makes him relevant even today: the merchant, the entrepreneur, the manager has to be a good citizen, because it serves his business interests.

We know this concept in the form of the limited Corporate Social Responsibility (CSR) and Good Corporate Citizenship, yet they are often merely declamatory concepts.

Often the problem is that CSR is conceived of not as an integral part of legitimate business interest but as a strategy of “social” added value external to core business interests. These CSR approaches are usually quickly seen as what they are by the media and the public. Business that wants to be believable corporate citizens need to adhere to Sombart’s double morality: “morality in business” and “morality for business”!

This requires leaders that fulfill these demands because of their education, their self-image and their value set. Today some call for reforms of MBA programs; others believe a fundamental scientific and methodological paradigm change in economics is required, which replaces abstract mathematical models with ordoliberal transdisciplinary approaches. Both seem necessary and the “prophets” of such approaches are already making themselves heard. Yet, what they preach as future-proof value-based economics is simply the old “spirit of capitalism”. What we need is “education” in the sense of gaining knowledge, reflective thought and value-based personality development.

At the Zeppelin University in Friedrichshafen Stephan Jansen presents the perhaps most interesting approach to “management as a truly liberal art” in the sense of Drucker. The Zeppelin curriculum is not limited to abstract “case studies” and hypothetical business plan development rather it provides an holistic transdisciplinary approach to MBA education.

“The crisis has shown”, as Jansen puts it, “that we cannot simply compute the new models, but instead have to take into account that there are people behind abstract numbers.” If the human factor is ignored in economic theory and practice, the most important factor in value creation is lacking – and this can potentially lead to catastrophic results.

In 2010 we are celebrating the “Year of Humboldt”. This great scholar proposed an ideal of a holistic and all encompassing approach to education. Humboldt’s ideal should guide us in developing a European culture of management. The most important “capital” is education and knowledge and managers – as “educated persons” in a generalized Humboldtian sense – have to represent that.

This is the chance and challenge to young leaders today. They need entrepreneurial spirit, business ethics, and morality – they have to be bourgeois spirits, calculating, passionate, educated, and responsible.

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2. Culture First!

Basic Principles and Development of Value-Oriented Cultural Management in Germany, Western Europe, and China

2.1 Cultural Management and Social Transformation Processes in Germany and Western Europe

Cultural management has been established as an academic discipline and a profession in Germany and parts of Western Europe since the end of the eighties. While in the Anglo-American world – due to the lower public funding of museums, theaters and concert halls – there already existed a well entrenched tradition of “cultural management” or “arts administration”, the development of cultural management in Western Continental Europe took place in the context of comprehensive social transformation processes.

With the differentiation of society into lifestyle-oriented milieus and target groups in the eighties, the understanding of culture as well as consumer behavior changed. The newly evolving “leisure, thrill and event-oriented society” initiated an all-embracing aestheticization of the living environments. It produced a multi-optional cultural audience and led to a cross-over of traditional high culture and entertainment. From now on cultural events were staged as media-driven events in public spaces.

At the same time, the classical forms of art and culture were opened to new public areas. Abandoned industrial complexes were conquered, entire districts were musically “occupied” (music festival), and towns shone in the light of cultural mega events. A new type of large-scale exhibition (blockbuster exhibitions) fascinated the masses. Cultural tourism and city marketing, conscious of art and cultural business strategies, indicated a changed cultural understanding. Culture was there for everybody, it was everywhere and everything seemed possible with culture!

From that time on however, target groups were able to choose from an extremely varied range of cultural products, which became larger and larger while demand stagnated. Marketing and public relations gained more significance. In the nineties, the competition for audience became increasingly intense – even more so when the traditional cultural sector had to compete with the new “tainment cultures” (entertainment, infotainment, edutainment etc.).

The boom of culture in this emerging experience-driven society also led to many different approaches to culture and economy: banks proudly presented their own art collections; en vogue expressions like “corporate design”, “corporate culture” and “indirect returns” articulated comprehensive aesthetic and cultural processes within the economic sphere. Thus, with the emergence of cultural sponsorship and private-sector engagement in the arts, economy and culture started to act with shared interests. Culture became increasingly penetrated by the economy and vice versa.

In this context, cultural management was established as a key qualification for the future. The present-day type of the cultural manager was created. Therefore, the term cultural management connotes several things: firstly, the management of institutions and companies in the public cultural sector, as well as in parts of the creative and entertainment industries; secondly, a practically oriented academic discipline and thirdly, a brand-new occupational image. Especially the academic discipline cultural management or arts administration quickly gained popularity.

The academic teaching of cultural management combines theories and hands-on practices from the fields of economics, law, communications, social sciences and the humanities. The training directly applies to the management of for-profit and not-for-profit cultural organizations. Cultural management as an academic discipline thus contains elements of general studies, which defines the modern cultural manager as an “interdisciplinary expert” and an all-rounder.

In the traditional discipline of business administration, there is a distinction to be made between cultural management as a function (what are the tasks of the cultural management?) and cultural management as an institution (who is the cultural manager and what does a cultural manager do?).

The focus of cultural management is set on the issues of planning, organizing, leading, directing and controlling cultural institutions, projects, and companies. Procuring and distributing resources, organizational structures and process organization, marketing, communication, public relations, strategic planning and market positioning and many others are fundamental tasks of professional cultural management. The required qualifications and skills, as well as the specific persona and profession of the cultural manager, affect the field of cultural management as an institution.

The requirements and challenges for cultural management and cultural managers today and in the future are correspondingly high. Successful cultural managers have to be multi-taskers of some kind, who – based on their cultural values and principles – are able to analyze and manage legal, social, and economic processes. At the same time, they have to increase the freedom for new artistic production by changing the bureaucratic structures and formalities we find in many of the big cultural institutions and by making them more flexible.

This means: cultural management and cultural managers, particularly in the nonprofit sector have to understand and monitor the laws of the national and international markets. Among the essential and continuous tasks are cultural market research and analysis, research into the behavior of users and audiences of different generations, the contextualization of arts institutions in their diverse social fields, skills in the acquisition of non-governmental resources, fundraising, sponsoring or public-private-partnerships, finally an increased awareness of social and cultural trends and a basic knowledge of labor law and collective bargaining law.

All over Western Europe, we are confronted with a harsh competition for attention, time, and money between cultural institutions. The supply is exceedingly high and the markets for art, theater, literature, and music – being in a process of permanent differentiation – become more and more opaque and unpredictable. The government, in the role of the financier, demands high audience response, strong media feedback, positive effects on tourism and the local image, success in sponsoring and fundraising and co-operations on a national and international scale. The public cultural sphere tends to become more entrepreneurial while – for image reasons – the creative industries try to establish links to classical culture.

All summed up, this means that in the future, four fields of action will be of central importance for the normative, strategic, and operative aspects of a value-based entrepreneurial management of cultural institutions. These four fields are even more important because they intertwine.

I am speaking of “public value” and the strategies of social legitimization tied to the term. The second field is “audience development” as an institutionalized managerial strategy of acceptance. The third item on the agenda is the competition for ideas and the challenge of new media cultures. The fourth task is to permanently secure required resources, which means: money, working space as well as qualified staff and leaders.

Securing public value and maintaining an understanding of cultural education that is based on values and traditions is no longer just the artists’ duty. Fulfilling this mission requires creative institutions, such as theaters, museums, and concert halls, which practice cultural education. The only way to legitimize state subsidies is by creating public value. Today, all public cultural institutions in Germany have to defend their relevance. They are judged by their supply-side policy, which includes their additional programs for cultural education, media response, as well as their image and brand. To achieve all of this, what institutions need most is an interested, curious and large audience. That is the rea-

son why public value and audience development are interdependent.

“Audience development is an umbrella term and a strategy to encompass all aspects of promotion, services, marketing, public relations, and educational programs with the perspective to create a love affair between people and art that will have a lifelong impact on the minds and spirits of those who partake.” (G. B. Morrison). Audience development is the long-term process of encouraging and assisting an audience member to become increasingly more involved in the life of an arts institution. The goal is to build a loyal and committed audience with an appetite for adventure. For reaching this ambitious goal you need a strong top-down-process of change management in a lot of cultural institutions.

Because this assumes an institution that is flexible and adaptive, an institution that is willing and able to judge everything it plans or artistically produces from the perspective of the audience. This ability becomes even more important when it concerns the competition between the traditional public institutions and the new media cultures in the cross-linked digital world. One of the questions that will decide our futures is: where are the young target groups of the so-called “Generation Google” and the Digital Natives headed?

Due to demographic changes, we find over-aged cultural audiences in most of Europe. At the same time, not just in the future, but already now, younger generations grow up with the new media. In the struggle for attention, time budgets and contribution, classic cultural institutions will have to learn to understand this online world and the social communities – not just to be able to challenge them in terms of supply and reception aesthetics, but to make use of them for their own purposes.

This, for example, means developing communication and marketing strategies online and adopting the idea of the “community” for measures of customer loyalty and communication with

an institution's target group. If institutions want to win young audiences, they have to target them online. For designing individualized cultural marketing campaigns without divergence loss, there is no better and more efficient way than by the means of web 2.0. Therefore, future cultural management is also media management – an outlook, which upgrades the importance of strategic alliances with the creative industries.

Finally, securing resources in a broad sense is one basic element of professional cultural management. It naturally includes different forms of fundraising and “friendraising”, philanthropic giving, donations in kind, know-how transfer, volunteering, as well as marketing-driven sponsorship. Securing – mostly additional – resources is a task that can be conducted creatively as there is a broad spectrum of possible ways.

Moreover, it is indispensable that cultural leaders make use of excellent social and economic networks, which enable them to provide donors and sponsors with services and recognition from inside their organizations. This idea is inherent in the four basics of professional fundraising: research (identifying and finding potential donors and sponsors), solicitation (addressing potential donors and sponsors), recognition (thanking and announcing donors and sponsors) and cultivation (fostering the relationships with existing donors and sponsors).

Even the highly subsidized public cultural institutions in Germany are depending more and more on private and corporate donors and corporate sponsors in parts of their programs. This is especially true for blockbuster exhibitions, opera productions with international stars, the acquisition of art collections or cultural education programs. Beyond that, there are many forms and possibilities of marketing and media co-operations – as, for example, free TV and radio trailers or sponsored ads in newspapers and magazines. Particularly regarding the development of resources, younger directors of festivals, theaters, museums and orchestras see themselves as cultural managers who build up partnerships and co-operations for the benefit of the arts with-

out calling into question their program's autonomy. Fundraising really is a "process of non-stop cultivation" (Michael Margitich, Museum of Modern Art New York).

To organize, lead and direct cultural institutions so that they remain relevant, competitive, and accepted, we need cultural "entrepreneurs", "leaders" and "leadership" in the sense of Corporate Governance and Corporate Social Responsibility. These skills need learning, as well as excellent, practical and transdisciplinary study programs. These have to teach – on the one hand – a culturally tradition-oriented, yet innovative, management of classic cultural institutions. On the other hand, they have to communicate the skills of the creative industries. The value paradigms of such successful training strategies are based on ambitious curricula which combine cultural expertise with economic and social competence and which are committed to one claim: "Culture first!"

2.2. *Cultural Management, Creative Industries, and Cultural Policy in China*

While the public cultural sector in Germany – in contrast to, for example Great Britain and Italy – continues to be strongly subsidized by the government despite the global financial crisis and supported as a field of cultural education, cultural management in China is facing different challenges, both in terms of scale and the type of problems.

Concerning the for the most part still state-run cultural sector, which has to fight for legitimization, acceptance, and resources in a quickly changing environment, China nevertheless has a lot in common with large parts of Europe. In China too, state-run cultural institutions and projects have to prove their relevance for society, they have to find acceptance, which means attention, interest, and demand on the competitive culture, media and leisure markets.

The difficulties concerning resources are not only about material aspects but also about human resources that is well-educated, professional cultural managers with international experience.

However, those global, hence comparable tasks are to be approached from within a special regulatory framework, which tends to irritate German artists, cultural managers and politicians alike.

The key political term for understanding current as well as future developments in China is “cultural” respectively “creative industries”. It represents the paradigm of national cultural policy and combines elements of both the Anglo-American and the Continental European definition with Chinese components in its semantics as well as operational practice.

In order to better differentiate between the Continental European, Anglo-American as well as the specific Chinese positions, closer attention should be paid to the development of the term in the Western world.

The term “creative industries” encompasses social projections, individual hopes and aspirations as well as hard economic interests. Investment policies, urban development, scientific and technological progress, new attractive jobs, ecologic sustainability, these are the – remarkably high – expectations politicians, investors and entrepreneurs connect to the development of new urban economic spaces for the creative industries. In these spaces, the new creative class invents and produces services, goods, patents, and copyrights as well as artefacts – all at the interface of technology, media, and the arts.

The global discussion and awareness of the creative industries was initiated by Richard Florida’s bestselling work *The Rise of the Creative Class and How It’s Transforming Work, Leisure, Community and Everyday Life*. Influenced by the developments and experiences of the New Economy and the media-technological revolution of the Internet, E- and IT-business, Florida distin-

guishes, in good Anglo-American tradition, between “high creatives” (especially scientists), “professional creatives” (lawyers, marketers, consultants, PR and all kinds of knowledge-workers) and “Bohemians” (a typical romantic definition for all kinds of artists, journalists, designers, but including entertainers, athletes [!], models, and performers).

These professions and activities as well as a far-reaching sociological approach inform the Anglo-American view of creative industries. This view includes a new type of agent, the creative class, which provides the workforce for and propels the creative industries. This new type of agent is characterized by a capacity for innovative thinking, an ability to identify problems and find solutions anticipating future developments, an orientation towards information and knowledge as well as a focus on new paths and combinatorial imagination.

In terms of economic development this means a paradigm shift – no longer are people following businesses and industries, in the creative industries, businesses are moving where the creative class is. This is a chance and a strategic challenge for state-driven economic development agencies and their specialists.

The Continental European – especially the German – conception of creative industries distinguishes industries and segments according to economic criteria. In Germany, the creative industries encompass cultural industries, creative industries and businesses, which are for-profit and concerned with the creation, production, distribution or promotion of cultural and creative goods and services. They cover the whole private sector of creative production, including the film industry, the arts market, publishing and media houses, private broadcasting, music business, architecture, design and fashion, advertisement, games developers as well as part of the IT sector.

We have to distinguish the creative industries from the institutions in the two nonprofit cultural sectors – which include public and private cultural institutions and festivals on the one hand, as

well as public radio and television on the other hand. The structural differentiation between these three sectors – full for-profit creative industries, nonprofit public and private cultural organizations – is common in almost every country in Continental Europe.

Especially for Germany we have to note two differences: there is a strict separation between the for-profit and not-for-profit sectors, and: many companies in the creative industries are either “very small” or “small-medium-enterprises”, only very few are large internationally operating companies. Hence, the image of the creative industries as a whole has been influenced by the conception of start-ups as young, multidisciplinary and creative entrepreneurial companies with little money, but a lot of fantastic ideas.

Also we have to note a very specifically German intellectual disposition: the combination of culture, creativity and industry, the connection between the arts and the markets is often judged negatively in intellectual discourse. For this reason the perspective on creative industries is sometimes a little blurred by the romantic idea that artists and creatives can only be creative if they are poor.

In the European tradition, creativity needs freedom – political, cultural, and organizational. The European, and specifically the German, understanding of creativity, as it has developed from the 18th century onwards, tries to unite two differing states of mind. Creativity consists of two components if you will: on the one hand, it requires a “mad”, associative, imaginative, mistake-friendly, rule-disobeying way of thinking. On the other hand, it requires exact, purposeful and strategic thinking, which translates the results of “mad thinking” into goal oriented actions. Only the combination of “mad thinking” and conceptual thinking produces something new and innovative.

This understanding of creative thought and action is based on the seemingly contradictory union of creative, not necessarily

planned, often sensual and emotional thinking and feeling with rational, calculated, regulated actions. The results always have to be new and original.

In essence this conception of creativity contains the central cultural tension of Western thought: the dialectic of the Dionysian and the Apollonian that developed in ancient Greece over two and a half millennia ago and has become fundamental to European thought. This dual nature of creativity is recognized even in the way the arts and the creative sector are supported by government agencies in Germany: the state sees itself in a purely supportive role, as the enabler of the productive power of the creative classes and industries.

For China, all of this might sound a little strange and distant from reality – as in China the focus of creative industries is much wider than in Europe. Most of all, the Chinese model does not strictly differentiate between for-profit and nonprofit institutions. The Government and the Party are the main entrepreneurial forces in China – they set the strategic goals and guidelines for Chinese cultural policy.

Whereas in Germany the State Ministers of Economics decided in 2008 on a clear definition of “culture and creative industries” which is focused on the commercial cultural, media and creative sectors, the situation in China is more complex. The Chinese idea of creative industries is first a policy mechanism of stimulating and developing city or regional areas – it is a model adopted from the West and includes all kinds of corporations within the entertainment or art sectors.

2004 marks the preliminary end point as well as the future-oriented starting point of a complex industrial and cultural politics process dating back to the 1980s. The policies adopted Western developments and mechanisms but integrated them into a specifically Chinese way. The coordinates of this common Chinese understanding of culture and creative industries are a distinct market or business positioning and a resulting economization of

the culture and education sectors. Since the 1990s culture and education developed into distinctive industries, whose “creative/productive nature” resulted in an “overall and guiding effect on national economic development” in the context of “soft market theory” as the Communist Party propagated back in 1992.

Culture and creativity therefore are basic elements of a comprehensive soft power strategy: the generation of economic creation of value through creativity on the basis of replication, recombining and exploitation instead of productive exploration and innovation. While the education sector produces the most important element in social production – educated and trained talents and workers – the creative industries have a similar function: “Creative industries are those industries that rely upon creative ideas, skills, and advanced technology as core elements, increase value in production and consumption and create wealth and provide extensive jobs for society through a series of activities”, defined Li Wuwei 2008.

Cultural and creative industries as special “industries” are subject to a macro-societal perspective of party and government. Their specific value creation does not differentiate between material and immaterial or ideational, but instead focuses on social welfare. This results in the unity of cultural and economic policies, of the cultural and the economic spheres of value. This is the fundamental difference to the economic paradigm of German cultural policy during the 1980s and 1990s. Its buzzwords were indirect productivity, sponsoring and managerialization of the nonprofit sector. This economization paradigm called for more efficient management and auditing of public cultural institutions, supplementary private funding and a marketing approach focused on audiences. It did not however overcome the distinction between ideational, artistic, aesthetic and educational value creation and economic value creation.

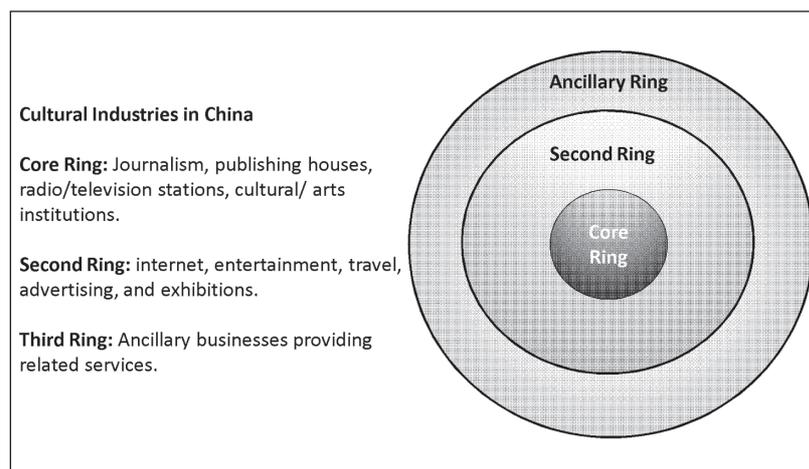
In addition, the nonprofit cultural sector was supposed to contribute not to material wealth but to ideational, artistic and aesthetic education and development. The division between the

nonprofit sector, which was never considered an “industry”, and the commercial cultural and creative industries still applies in Germany. Cultural production may move on markets, but from an economic perspective it is not marketable, as it is dependent on the support of the government, which is bound by constitutional law from interfering with the content and form of cultural production as well as the programming of state funded cultural institutions. These fundamental political and cultural differences are mirrored by the different systematic of the Chinese and German cultural sectors:

From a German perspective the three rings defined by Yu Ding as China’s “cultural industries” contain the core areas of the non-profit cultural sector, related segments as well as the commercial cultural and creative industries.

If you look at the details in the Chinese model of creative industries you will see it is much wider than the German one and even includes parts of the sports, leisure, and service sectors.

What does that mean for cultural management in China? Most importantly, China needs well-trained arts managers even more



than Germany. In the past decade China has build a vast, highly developed and very expensive infrastructure of cultural institutions like museums, performing arts centers and others. This process still continues, often under the supervision of local governments.

Hence, the demand for arts managers is as big as the problems they face: they need to develop an engaged, knowledgeable and loyal audience, they need to do audience development on a large scale; they need to integrate their institutions with their locations and local communities; they need to come up with suitable programming, which includes strategic artistic planning; they need to implement efficient managerial structures; build up sales networks and find sources of private funding; they need to focus on business performance, entrepreneurship, marketing, management by objectives. To achieve this and ensure a future-proof cultural management the university education of arts managers in China needs to be developed rapidly. China must not lose time. This means international cooperation, such as joint master and other training programs for students and professionals, so that China can profit from thirty years of German, European and American experience while still following its own path.

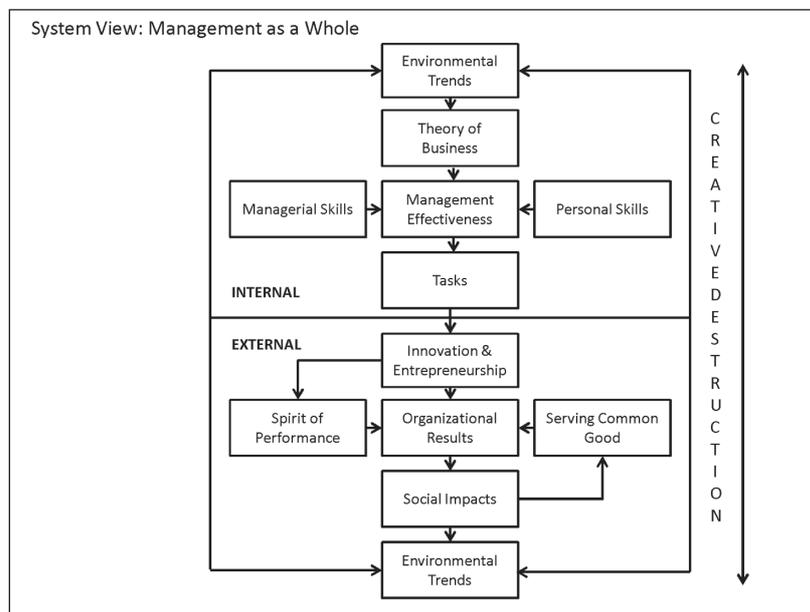
Despite political and cultural differences there are universally applicable skills, techniques, and concepts for cultural management, which are included in the following chapter. This universality also applies to a common value set: despite the Chinese perspective of value creation in the cultural sectors, Chinese arts managers will have to defend the ideas of ideational value creation and the potential for aesthetic education of artistic and cultural creativity.

Many issues and tasks as well as the role of culture in urban development are similar in European and Chinese cultural management. "Culture first!" we say in Germany, *Respect for Art* is the title of the leading Chinese book by Joan Jeffri und Yu Ding published in 2007. Both claims provide a similar basis for professional value-oriented cultural management.

2.3. Cultural Management in Practice: Selected Universal Skills, Tools, and Concepts

Cultural management is a discipline and a practice. Cultural management – as a whole – is a system of interrelated elements in a process of environmental trends like special social and cultural developments, in an individual country and the global world. For both profit cultural enterprises and nonprofit cultural organizations, managerial skills and personal skills must be combined into principles of effectiveness.

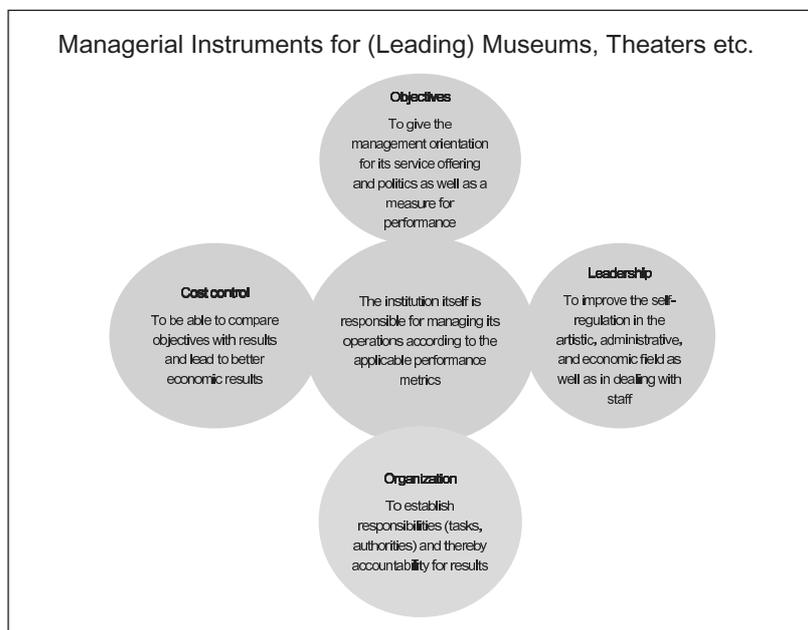
One of the most important management scholars – Peter F. Drucker – demanded that these principles must include the disciplines of innovation and entrepreneurship. According to Drucker, cultural management principles must be directed toward developing and maintaining a high spirit of performance, achieving organizational results, and managing social impacts to serve the common good: in China, in Germany, in Europe, and in the USA.



For the future, all kinds of intercultural dialogues and especially intercultural exchanges are going to be relevant: there are some basic universal aspects of meaning, understanding and practicing cultural management. As mentioned and described above, cultural management everywhere in the world can be viewed a system of interrelated elements.

Although there are differences, for example with regard to the strength of social impacts or management culture and work ethics, a lot of fundamental skills, tools, and concepts are equal or at least comparable.

Whether it is China or Germany, a leader of a cultural institution can make use of four basic managerial instruments to direct a theater, a museum, a dance company, a concert hall or any other cultural institution:



Instruments may be preferred or prioritized differently but knowing them is essential regardless of the location. Chinese and German cultural managers must be able to handle these instruments on the level of strategic planning as well as on the operational level of management processes.

Another example of the intercultural transfer of knowledge and experience is represented by the systematic process of feasibility and cost-benefit analysis (CBA) in the cultural sector. Our Institute for Arts and Media Management at Freie Universität Berlin has developed guidelines and a methodology together with and for the Jaspers Agency of the European Investment Bank and the cultural infrastructure projects it is developing on behalf of the European Union. This methodology could be implemented by Chinese government-officials in the planning and preparation processes regarding their big cultural infrastructure projects.

CBA is an analytical tool, which is used to estimate the financial and socio-economic impact (in terms of benefits and costs) related to the implementation of certain policy actions and/or projects. The impact must be assessed against predetermined objectives and the analysis is usually made from the point of view of society as a whole, intended as the sum of all individuals concerned. Typically, a CBA analysis works with national boundaries so that the word “society” usually refers to the sum of the individuals in a nation state.

The objective of a CBA is to identify and monetize (i.e. attach a monetary value to) all possible impacts of the action or project under scrutiny, in order to determine the related costs and benefits. In principle, all impacts should be assessed: financial, economic, social, environmental, and so forth. Traditionally, costs and benefits are evaluated by considering the difference between a scenario with the project and an alternative scenario without the project (the so called “incremental approach”). The results are further aggregated to identify net benefits and to draw conclusions on whether the project is desirable and worth imple-

menting. In this context, the CBA represents a decision-making tool for assessing investment to be financed by public resources.

The term CBA within these guidelines and according to EU requirements encompasses both the financial and economic analysis of the project. In the culture sector, CBA considerations are very important for planning efficient buildings, which should add to the urban and culture landscape of the city and region, but should also be sustainable in terms of operational efficiency and structural maintenance, without bringing excessive financial burdens to the municipality's budget.

This requires to measure carefully all expected benefits in terms of improved standards of living in cities and regions, to calibrate correctly the demand needs of the community and to assess realistically all investment and operational costs ex-ante, in a way that surprises do not arise in the process of planning, constructing or managing infrastructures, which are far too big to perform the expected objectives.

A carefully conducted CBA is a helpful tool to highlight, how the risks of planning, for example, "empty" auditoriums should be reduced. A rigorous scenario analysis should prevent situations, in which local authorities engage in investments, which turn out to be "white elephants". The costs will soon become hard realities for the budgetary implications of these projects on the municipalities involved, while the benefits will never materialize as optimistically expected at the outset.

The quantification of benefits is in fact very complex and uncertain. The guidelines recommend a prudent approach in measuring both financial and economic benefits. Only by carefully benchmarking existing success stories, would it be possible to prove that conservative assumptions should be abandoned in favor of more speculative scenarios on culture demand growth.

*Steps for Feasibility and Cost-Benefit Analysis
in the Cultural Sector*

CBA STEPS – Quotes from 2008
Guide on CBA

A presentation and discussion of the socio-economic context and the objectives

This discussion should include consideration of the relationship between the objectives and the priorities established in the Operational Program, the National Strategic Reference Framework and consistency with the goals of the EU Funds, in a way to evaluate the rationale and policy coherence of the proposed project.

CBA – adapted to the CULTURAL Sector

Analysis of the socio-economic context

- Urban context of the project
- Clear identification of the ownership of the individual project components and regulatory mechanisms (terms and timing of concessions, licences)
- Identification of the project objectives
- Location of the project including local, national and international access
- Other culture facilities existing in the city
- Socio-economic background including the provision of current culture services and bottlenecks in culture facilities
- Status of the culture base both locally and nationally: audience rate, state of culture interests
- Links with sector policies and strategic documents including Operational Programme
- Links with culture EU and horizontal policies (tourism policy)

The clear identification of the project

Identification means that the object is a self-sufficient unit of analysis, i.e. no essential feature or component is left out of the scope of the appraisal; indirect and network effects are going to be adequately covered (e.g. changes in urban patterns) and whose costs and benefits are going to be considered ('who has standing?').

The logic of the intervention

- Description of the project
- Management of the cultural infrastructure
- Planned objectives of the project in relation to the OP, and, if relevant, differentiation from similar cultural infrastructure projects.
- Expected project outcomes in terms of established indicators and how expected outcomes can be encouraged in terms of urban development strategy
- The normative core: link the culture programs' activities and community's aspirations; particularly links to tourism, social and service policies in the city
- Summary of international context

The study of the project's feasibility and alternative options

A typical feasibility analysis should ascertain that the local context is favorable to the project (e.g. there are no physical, social or institutional binding constraints), the demand for services in the future will be adequate (long run forecasts), appropriate technology is available, the utilization rate of the infrastructure or the plant will not reveal excessive spare capacity, personnel skills and management will be available, justification of the project design (scale, location, etc.) against alternative scenarios ('business as usual', 'do-minimum', 'do-something' and 'do-something else').

Analysis of demand/needs and gaps

- Identification and analysis of specific audiences
- Creation of public value
- Links to similar cultural infrastructure on EU level.
- Strategic planning: detailed analysis of all market needs: cultural activities, conferences, theatres, music, opera
- Identification and measurements of bottlenecks and constraints in culture supply
- Audience development
- Why a new infrastructure is needed? Who are the main users, which benefits will bring to the city, the region and the country?
- How to optimize the size of the infrastructure?

Institutional and legal analysis

- The legal status of applicants and others participating in the project (partners and partner agreement)
- Existing culture activities of the beneficiary and other project partners
- Experience of the applicants and participants in the implementation of major projects. Evidence of large-scale project/risk management.
- Feasibility of the project's organizational arrangements/governance during implementation and operational phase.
- Feasibility of investment in terms of legal issues
- Health and safety policies as well as auditing arrangements

Technical analysis

- Description of significant technological alternatives or options analysis
- Exit strategies and mechanisms for optimizing funding
- Description of chosen technical option and reliability of the technical design (often not yet proven).
- Choice of site and its characteristics; geological considerations
- Technical advisory committee
- Environmental and energy impact assessment; health and safety rules compliance
- Human resource strategy
- Energy requirements
- Procurement strategy
- Investment and operating costs, providing justification of cost estimates and benchmarking

Plan for the project implementation

- Time-table for implementing the project
- Recruitment policy
- Financing negotiations (incl. in-kind contributions, where relevant); financial governance and accountability (incl. auditing and internal controls and assurance)
- Procurement plan
- Timing for construction of any related infrastructure outside the scope of the project
- Promotion of the project
- Operational aspects of the project, once finalized, especially (i) funding arrangements; (ii) regulations regarding the access to the infrastructure and pricing policy for internal and external provision (if relevant).
- Provision for decommissioning (where relevant)

Financial analysis

This should be based on the discounted cash flow approach. The EC suggests a benchmark real financial discount rate of 5%. A system of accounting tables should show cash inflows and outflows related to: i) total investment costs; ii) total operating costs and revenues; financial return on the investment costs: FNPV(C) and FRR(C); iii) sources of finance; iv) financial sustainability; financial return on national capital: FNPV(K) and FRR(K);

Financial analysis

- Financial assumptions including inflation index and contingency provision
- Financial analysis – return on investment
- Pricing policy
 - State aid considerations
- Determination of the funding gap or EU contribution
- Financial sustainability and operational issues
- Conclusions from the financial analysis

the latter takes into account the impact of the EU grant on the national (public and private) investors. The time horizon must be consistent with the economic life of the main assets. The appropriate residual value must be included in the accounts in the end year. General inflation and relative price changes must be treated in a consistent way. In principle, FRR(C) can be very low or negative for public sector projects, but FRR(K) for private investors or PPPs should normally be positive.

Economic analysis

CBA requires an investigation of a project's net impact on economic welfare. This is done in five steps: i) observed prices or public tariffs are converted into shadow prices, that better reflect the social opportunity cost of the good; ii) externalities are taken into account and given a monetary value; iii) indirect effects are included if relevant (i.e. not already captured by shadow prices); iv) costs and benefits are discounted with a real social discount rate (suggested SDR benchmark values: 5.5% for Cohesion and IPA countries, and for convergence regions elsewhere with high growth; outlook; 3.5% for competitiveness regions); v) calculation of economic performance indicators: economic net present value (ENPV), vi)

Socio-economic cost-benefit analysis

- Methodology and assumptions for assessing the quantitative financial benefits of the project
- Local stakeholder engagement
- Social cost analysis
- Analysis of social benefits and costs
- Analysis of economic benefits and costs
- Additional appraisal criteria

economic rate of return (ERR) and the benefit-cost (B/C) ratio. Critical conversion factors are: the standard conversion factor; sector conversion factors (sometimes leading to border prices for specific tradable goods e.g. agricultural products) and marginal costs or willingness-to-pay for non-tradable goods (e.g. waste disposal); the conversion factor for labor cost (depending upon the nature and magnitude of regional unemployment).

Risk assessment

A project appraisal document must include an assessment of the project risks. Again, five steps are suggested: i) sensitivity analysis (identification of critical variables, elimination of deterministically dependent variables, elasticity analysis, choice of critical variables, scenario analysis); ii) assumption of a probability distribution for each critical variable; iii) calculation of the distribution of the performance indicator (typically FNPV and ENPV); iv) discussion of results and acceptable levels of risk; v) discussion of ways to mitigate risks.

Sensitivity and risk analysis

- Sensitivity analysis
- Risk monitoring system
- Risk management system

The next exemplary tool is focused on one of the most important cultural management tasks: the building and developing of audiences. The tool of the audience-orientated SWOT analysis (strengths, weaknesses, opportunities, threats) can aid every cultural organization in developing its programming strategy and objectives. Performing an audience-oriented SWOT analysis is the process of relating internal resources and weaknesses to external opportunities and threats. The following tables give indicative lists of aspects to be considered in this analysis.

Audience-oriented SWOT Analysis

| <i>Performance</i> | | | | <i>Importance</i> | | |
|--------------------|----------------|---------|----------------|-------------------|------|------------|
| Major strength | Minor strength | Neutral | Minor weakness | Major weakness | high | medium low |

Program

Building reputation
Core product quality
Interpretative quality
Orientation quality
Volunteer Services Quality
New exhibit development

Audience Development

Visitorship level
Visitorship diversity
Repeated visitorship
Visitor service quality
Membership program quality

Marketing

Image efficiency
Public perception of accessibility
Promotion efficiency
Efficiency of Pricing
Product Mix

Finance

Cost / Availability of capital
Cash Flow
Financial Stability
Fundraising Efficiency
Government support
Earned Income
Corporate Support
Individual Giving

| <i>Performance</i> | | | <i>Importance</i> | | | | |
|--------------------|----------|---------|-------------------|----------|------|--------|-----|
| Major | Minor | Neutral | Minor | Major | high | medium | low |
| strength | strength | | weakness | weakness | | | |

Organization

Visionary, capable

Leadership

Dedication of employees

Entrepreneurial orientation

Innovativeness

Staff responsiveness to

public service, educational
outreach

Flexibility and Respon-

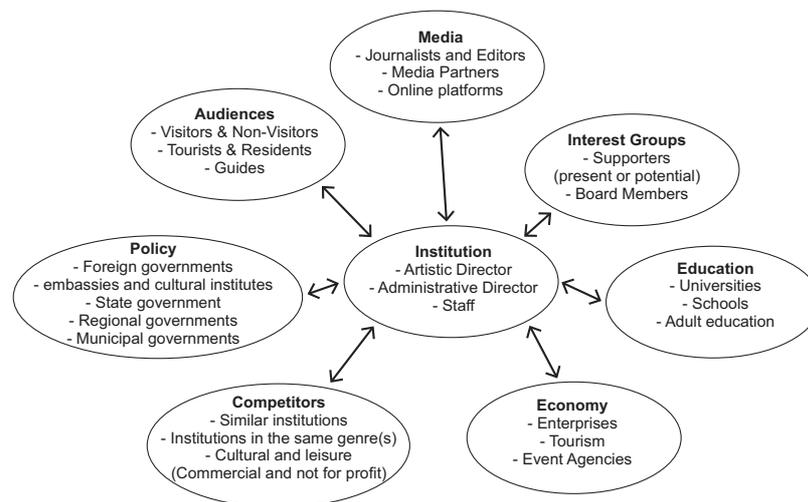
siveness, overall

Our last example is focussed on the relevant contexts a cultural institution is acting and building relationships.

Every cultural institution has to legitimate the use of resources towards numerous stakeholders. Only if they succeed in connecting to these groups and convince them continuously of the institution's necessity and viability they will be able to generate sufficient financial and material resources, legal certainty and support in public or political discussions and decision processes.

Thus, a cultural institution has to show a broad awareness of relevant stakeholder and a well-grounded knowledge of their motivations, their objectives and feasible ways to approach them. The relevant stakeholders are illustrated in the following chart:

Relevant Stakeholders for Cultural Institutions and Projects



These four simple examples demonstrate what we can describe as universally applicable and valid cultural management skills, tools, and concepts. The mutual recognition helps to solve the problems for most cultural institutions in the global world. In the future there will be a stronger competition between the fields of traditional, high culture and the creative industries, between the “real” and the “digital” world. Yet we are connected by the common cultural and social challenges caused by the revolution that new media technologies are currently bringing about. We are linked by the necessity to understand the interconnected processes taking place in culture, society and the media.

Old and new economy, old and new media, traditional and digital culture cannot be considered separate entities; rather, they converge. They do so most productively and in the most sustainable way in large international metropolises because those offer a steady supply of the new type of agent that is required for the creative industries: well educated knowledge workers, digital natives, creative networkers as well as global cultural entrepreneurs and artists.

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Part II

by Uwe Nitschke and Klaus Siebenhaar

1. “Culture Management in China” (KUMA) 2009/2010 – Advanced Training and Study Program: Initial Idea and Experiences with a German-Chinese Project

Project Introduction and Background Information

In China, galleries and art spaces began to emerge in the late 1980s and early 1990s; art-themed zones, large or small, have been created in Beijing, Shanghai and other cities the since year 2000. Under these circumstances, represented by the boom of private museums, the re-structuring of state-owned museums, the fast expansion of the performing arts market, the emergence of large-scale projects such as international festivals, art festivals, the art communication year and the growing importance the government places on the creative industries, the need for talented managers in the field of cultural management has been rapidly growing. International experience and the understanding of a variety of culture management systems will help lay a solid foundation for successful cross-national co-operations as well as for cultural innovation in China.

In 2009, Goethe-Institut China, Institute for Arts and Media Management at Freie Universität Berlin, and Stiftung Mercator Essen carried out the first edition of the advanced training and study program “Culture Management in China”, which aimed to further qualify young and upcoming managers of Chinese museums, theaters, and dance institutions. After a one-week German language course and a subsequent two-week theory course with Prof. Klaus Siebenhaar held at the Goethe-Institut in Beijing, the sixteen young experts from different cities and institutions, including Beijing Modern Dance Company, National Museum of China, Chengdu Museums, Hong Kong Arts Deve-