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SPECIAL ISSUE ARTICLE

# Innovation in the creative industries: Linking the founder's creative and business orientation to innovation outcomes

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Creative industries contain paradoxes because conflicting tensions arise between the market and the arts. Entrepreneurs need to find and maintain a balance between those two sides to create innovation. This study tests the interaction between business and creative orientations of a founder in their influence on innovation in the context of creative entrepreneurial firms and provides recommendations for how creative agents can leverage and manage their innovations based on their creative visions. Determinants on the individual level, such as the founder's creative or business orientations, have a lasting impact on the practices and process of their venture. To trace the imprinting influence of the founder's orientation on innovation, the empirical setting is a time-lagged study of German firm owners in the cultural and creative industries surveyed 5 years apart. The results show a significant relationship between creative orientation and innovation, whereas business orientation does not significantly relate to innovation. However, creative and business orientations reveal a negative interaction effect. This study contributes empirical evidence to the paradox theory and the interaction between the opposite poles. Our findings provide valuable insights about the relevance of creative orientation and its visionary impact on the firms' innovation process. Furthermore, the results shed new light on the tension between art and the market, as different compositions of the two orientation poles seem to have a varying impact on the degree of innovation. Thus, the study reveals the complexity of creative entrepreneurship and provides managerial guidance for other knowledge-based industries.

**KEYWORDS**

creative and business orientation, creative industries, innovation, paradox theory, tensions

## 1 | INTRODUCTION

Innovation is widely considered the most important factor for growth and progress (Kohn & Wewel, 2018). Because creativity is essential for innovation (Amabile, 1997), researchers of different fields are interested in the creative industries and their actors, who master creativity and pioneer innovations. Creative entrepreneurs are forerunners

in creating innovative output and inspire other organizations to innovate (Bergamini et al., 2018). These spillover effects help stimulate innovation and entrepreneurship in other sectors (Lampel & Germain, 2016).

But who drives innovation in small entrepreneurial ventures within the creative industries? Research suggests that it is the entrepreneurs themselves, as their attitudes, behaviours and motivations

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drive a new venture's success (Chen & Tseng, 2021). Already during the founding phase, entrepreneurs strongly influence their venture's development by imprinting the overall strategy and alignment according to their preferences and personality (Abecassis-Moedas et al., 2021). Thus, what the entrepreneur seeks to find during the founding phase seems to shape the venture's characteristics, strategies and capabilities, including formalization, decision-making processes and growth strategies in the long run (Abecassis-Moedas et al., 2021). As a result, organizations retain aspects of the founding environment that the entrepreneur provides during the founding phases (Abecassis-Moedas et al., 2021; Carsrud & Brännback, 2011). Because individual orientations and motivations are crucial in understanding entrepreneurs' decision-making processes, they may be key indicators for predicting later innovation outcomes (Carsrud & Brännback, 2011). Accordingly, this study focuses on the creative entrepreneurs and their unique influence on the venture's innovation.

The innovation process in the creative industries received increased research attention, showing that innovation is often highly contextual and individual-dependent (Wijngaarden et al., 2019). As creative actors create new products, they need to decide between two seemingly opposing sides: art and market. Both polarities impose different obligations on the respective actors and result in different orientations (Bergamini et al., 2018; Schulte-Holthaus, 2018), which leads to a paradox between sustaining creativity and economic considerations. Both orientations partly reflect creative entrepreneurs' dilemmas (Caves, 2000). Creative entrepreneurs' motivations to act are heterogeneous (Chen & Tseng, 2021). Thus, the question is which intrapersonal orientations of the founder lead to innovation and what long-term influence do they have on the venture?

The advantage of an orientation towards the market (business) is that it favours rational and strategic decisions, potentially supporting long-term survival. Contrarily, an orientation towards art (creativity) fosters unconventional thinking and groundbreaking impulses. The contrast between business and creativity becomes apparent when considering innovations' impact, as innovation outcomes define the artistic identities but also provide their economic foundation and viability. In this sense, new products need to address competitiveness in the market (Kock et al., 2011) and, at the same time, meet aesthetic and artistic expectations (Jones et al., 2015). Switching between two opposing poles is cognitively straining (Rosing & Zacher, 2017). Consequently, creative entrepreneurs find themselves in a constant negotiation and decision-making process, leading to constant tensions over which objective to prioritize. Especially in small firms, the entrepreneur represents the firm's core resource with a high degree of decision-making authority and responsibility (Jacobs & Cambré, 2020). In this sense, more profound knowledge is crucial to understanding the multifaceted innovation process, helping entrepreneurs to strategically excel in this negotiation process (Bergamini et al., 2018).

Despite the growing number of studies investigating the creation process within the creative industries, empirical knowledge shows an important gap. Creative entrepreneurship research mainly focuses on the macro-level, such as organizational structure and industry

characteristics (Camelo-Ordaz et al., 2012; Sok & O'Cass, 2015), which fuelled a call to investigate the micro-level (Wijngaarden et al., 2019). For instance, Abecassis-Moedas et al. (2021) focus on the imprinting dynamic of the founder's entrepreneurial motivations on the characteristics of the venture. Their qualitative findings suggest that these micro-determinants have a defining and long-lasting effect on the organization. However, the study does not specifically address the impact on innovation processes and strategies. Also, earlier research indicates that the founder takes a central role in the venture because the creative industries consist of many loosely connected individual actors (Konrad, 2013), the primary organizational form is an 'organization of one' (McKeown, 2015, p. 122) and entrepreneurs often have to deal with everything by themselves. Consequently, the individual entrepreneur is at the heart of the innovation process (Cnossen et al., 2019), and the locus of the innovation process is at the individual level (Reijonen, 2008; Sarooghi et al., 2015).

Yet the literature falls short on quantitative investigations of the founders' imprinting effect on the their venture's innovation processes within the creative industries. Knowledge is specifically scarce about how individual orientations towards the market or art and their interplay affect innovation. Generally, extant literature does not sufficiently capture the complexities of what happens in the minds of creative people (Chaston & Sadler-Smith, 2011), making it fruitful to analyse innovation's microfoundations (Castañer & Campos, 2002; Jones et al., 2016). Therefore, we pose the following research question: *How do the creative and business orientation of a founder in the creative industries interact in their influence on innovation?*

To address this question, we build on the paradox theory (Smith & Lewis, 2011), concerning contrary logics—specifically the resulting implications of handling them—and the distinction between art and market (Eikhof & Haunschild, 2007). The paradox approach offers a lens to look at the recurrent tensions creative entrepreneurs face, classified as tensions between rationalization and creativity (Parmentier & Picq, 2016). We consider entrepreneurs' orientations as micro-determinants of innovation. In response to the call of Granados et al. (2017) to better understand solutions for the trade-off between market and arts at the micro-level (Mellander & Florida, 2011), we combine the paradox theory with the entrepreneur's individual orientations. We differentiate the orientations into creative and business orientation, representing both sides of a creative entrepreneurial mindset. By examining both opposing orientations, we can understand if the creative innovation process is influenced by mutually exclusive or dynamic, interwoven polarities. Thus, this study investigates the polarities separately and their interactive relationship on innovation, as it is not yet understood whether one side prevails in its impact or whether there is a symbiotic connection of both poles that work in combination.

Our research contributes to the literature in creative entrepreneurship and innovation by investigating the creative innovation process with its elements of market and art. Focusing on the entrepreneur and his or her orientation, the empirical analysis uses a sample of 149 independent self-employed individuals and firm owners in the German cultural and creative industries, surveyed in two waves

5 years apart. This study investigates the individual's imprinting effect on the venture and its innovative outcome over the last 5 years by utilizing a time-lagged approach.

Our results indicate that the goals founders set for their venture are decisive and imprinted for later innovations, indicating long-term effects of orientations as microfoundations for innovation. Further, the results suggest that creative orientation aids in not only generating but also implementing ideas. Additionally, different compositions of the two orientation poles appear to be associated with varying degrees of innovation. Thus, we also contribute empirical evidence to the paradox theory and the dynamics between opposite poles (Bergamini et al., 2018), emphasizing a strong effect of the creative side over the business side on innovation. Nevertheless, entrepreneurs with a high degree of business orientation do not depend on high levels of creative orientation to drive innovations that are carried out at the firm level. Therefore, a general statement about which orientation is supportive for innovation must be considered in the light of the degree of innovation and the respective combination of both orientations. The negative interaction effect reveals that radical innovations can benefit from a strong creative orientation of the founder, whereas in the case of incremental innovations, business and creative orientation substitute for each other to a certain extent. In this sense, the empirical results suggest a substitutional effect that challenges the imperative for a balanced trade-off. Finally, research on entrepreneurs in the creative industries can provide important insights relevant to mainstream research on strategy, management and organization (Schulte-Holthaus, 2018), as intersectoral approaches may provide the template for new and modern management structures beyond the creative industries.

## 2 | CONCEPTUAL FRAMEWORK

### 2.1 | Innovation in the creative industries: Creative entrepreneurs challenged by paradoxical demands

In the cultural and creative sector, creative agents act entrepreneurially by generating, producing and commercializing creative and cultural products (Konrad & Fronz, 2016). Creative entrepreneurs are creative individuals who move between creative self-realization and economic imperatives, always on the border between the tangible and the indescribable (Abecassis-Moedas et al., 2021; Kohn & Wewel, 2018). Their playing field, the creative industries, is fragmented and highly dynamic (Sok & O'Cass, 2015). For example, the German economic statistics divide them into 11 different subsectors, but in fact, a large number of small independent actors still form an interrelated group (Konrad, 2013). The creative industries are composed of a majority of micro-businesses, a small number of small ventures and a few medium-sized enterprises (European Commission, 2018). They are dynamic because consumers constantly desire novelty with highly unpredictable demand, causing unique innovation challenges for entrepreneurs (Landoni et al., 2020). Similarities between the creative and other industries may also

generalize to other sectors, like those that rely on knowledge workers, such as the high-tech (e.g., research and biotechnology) and professional (e.g., medicine and law) industries.

Understanding innovation in the creative industry requires defining what innovation entails and how to measure it. Innovation demands novelty (Kock et al., 2011); Wijngaarden et al. (2019) describe a successful implementation of novelty as a core aspect of innovation. Swedberg (2006) defines cultural innovation as a process of combining existing elements to create something entirely new, appreciated in the creative and cultural sphere. Thus, there are different understandings about the degree of novelty to consider a product innovative (Jones et al., 2016). Based on Clossen et al. (2019), a complete departure from the existing convention is needed. Minor adjustments are rarely viewed as groundbreaking enough to be considered innovative (Landoni et al., 2020). Newness can relate to the entrepreneur's past products, but Castañer and Campos (2002) argue that a self-referential approach is inappropriate: The product also needs to be appreciated by its peers in the creative/cultural domain to be considered innovative.

Measuring innovation in the creative sector confronts researchers with several difficulties. Quantifying innovation is already challenging in technological and production processes (Chapain et al., 2010). The creative industries are even more complex to assess because they lack traditional measures of innovation such as R&D expenditures and patents (Wijngaarden et al., 2019). Typically, firms do not perform any significant research and development activity (Protogerou et al., 2017). In contrast, innovation is often ad hoc or spontaneous (Chapain et al., 2010). Most products and services in the cultural and creative industries are far from mass produced but usually unique and subject to individual innovation processes (Knetsch, 2017).

Apart from measurement, other characteristics make innovation processes in the creative industries unique. Individual innovations in the creative industries may have limited longevity (Strøm et al., 2020). Bettiol et al. (2012) highlight that products and services in the creatives have difficulties growing and increasing their internal efficiency. Innovation is often a means to an end and a competitive factor for traditional entrepreneurs. Whereas for creative work, innovation also serves as a goal and an objective in itself. Business models in the creative industries are based on a fast-paced production rhythm: year after year, season after season or publication after publication (Knetsch, 2017). To be recognized and grow as an artist, one must continuously launch new productions and projects (Hausmann & Heinze, 2017). Due to the pace of innovation within the industry, inherent tensions exist between protecting and incrementally innovating an established market utilizing stable financial flows and creating radically novel products that may disrupt the market and revenue streams (Jones et al., 2016). Entrepreneurs face various challenges to build an organization solely through creative activities (Bujor & Avasilcai, 2016). A major aspect of the creative industries is the distinction between economic and artistic consideration and their implementation (Bergamini et al., 2018), leading to tensions between art for art's sake and art for money (Craig & Dubois, 2010). Entrepreneurs with a creative background are usually more concerned with the

artistic aspects of their business and try to address the authentic, artistic or aesthetic values embedded in new genres or products (Sundbo, 2011). Artists might perceive a market orientation as threatening to their relevance, drowning out the inner creative drive and freedom (Schediwy et al., 2018), leading to a potential discrepancy between their artistic aspirations and the need to market their career. In order to comprehend this complex and paradoxical logic, a deeper understanding of the micro-determinant factors affecting entrepreneurs' creative behaviour seems necessary (Strøm et al., 2020).

'Competing tensions and demands pervade our work lives' (Miron-Spektor et al., 2018, p. 26). By drawing on the paradox theory, Miron-Spektor et al. (2018) argue that a paradox mindset helps individuals to improve job performance. A paradox mindset means accepting and being energized by tensions, which is the key to unlocking their hidden potential (Miron-Spektor et al., 2018). The most prominent tension in the creative industries lies between creative and business aspects (Hadida et al., 2021). The duality between cultural and economic logic results in contradictions and areas of tension that often represent unresolved conflicts (Höllen, 2022). One way to conceptualize tensions is through paradoxes (Smith & Lewis, 2011). Tensions, however, are characterized more by a span of opposites between which actors stand; paradoxes are likewise described as opposites but are interrelated, persistent and simultaneously existing (Smith & Lewis, 2011). A paradox has two components: first, tensions created by multiple elements that are logical on their own but simultaneously inconsistent and, second, the responses to these tensions attempt to deal with paradoxical elements simultaneously (Höllen, 2022; Smith & Lewis, 2011). Organizational structures help cope with these paradoxes, but creative entrepreneurs usually stand for themselves and rely on their inner compass. Theoretically, this is covered by the study of Miron-Spektor et al. (2018), who apply the concept of paradoxes to the individual. It is common for entrepreneurs to experience complex tensions due to conflicting goals and demands, especially among creative professionals driven by artistic ambitions, business considerations and personal motivations (Höllen, 2022). DeFillippi et al. (2007) describe the paradoxes caused by the challenge of managing and organizing creativity in the cultural economy. Peris-Ortiz et al. (2019) consider the main paradoxes in the creative industries between creativity–standardization and tradition–innovation. For the former, the authors suggest separating routine from creative work to create isolated spaces. These divided spaces can be literal or separate inner mindsets.

## 2.2 | Determinants of innovation on the individual level in the creative industries

Chaston and Sadler-Smith (2011) argue that conventional thinking about innovation does not consider the creative industries' unique characteristics since it fails to capture the complexities of what happens in the minds of creative individuals. Entrepreneurial orientations play a critical role in explaining the decisions entrepreneurs make, and a view on micro-determinants provides impulses and promises fruitful

insights (Castañer & Campos, 2002). To fill this gap, recent literature, for example, focuses on the imprinting effect of individual motivations on the organization beyond the early founding stage (Abecassis-Moedas et al., 2021). Right at the beginning of the entrepreneurial process, micro-determinants such as motivation play a critical role in explaining entrepreneurs' decisions (Carsrud & Brännback, 2011). As an organization grows and develops, it retains elements of the founding environment that the entrepreneur provided throughout their individual orientations (Stinchcombe, 1965). A qualitative analysis from Abecassis-Moedas et al. (2021) reveals that the founders' entrepreneurial motivations at the venture's founding have a lasting impact on its characteristics, including formalization, decision-making processes and growth strategies. The authors found different venture characteristics originating from the founders' orientations during the time of the venture creation, thus highlighting the unique role of the founders and their internal drivers.

Agents in the creative industries achieve sustainable competitive advantages by leveraging different resources (Wernerfelt, 1984), including mental resources, characteristics, orientations and visions. Entrepreneurial characteristics affect behaviour and, thus, performance (Camelo-Ordaz et al., 2012). Abecassis-Moedas et al. (2021) underpin with their case study the previous finding by revealing that the founder's entrepreneurial motivations during the early stages of the venture have a lasting impact on the later characteristics of the venture, like decision-making and growth strategy. Thus, motivations and orientations are the missing links between the intention to do something and the observable action (Carsrud & Brännback, 2011). Following the argument, individual orientations are essential elements for a firm's strategy (Clossen et al., 2019). In organizations where the decision-making power concentrates on a small number of influential actors (organization of one), individual factors can have an even greater impact, which is the case for most creative entrepreneurs (Strøm et al., 2020). Included are processes of creating, promoting, managing and distributing their artistic output while planning their artistic careers and developing the financing, strategy and technology necessary for their business. Their role as managers and representatives of the company also includes being responsible for the innovations they generate based on their particular characteristics, orientations and motivations (Camelo-Ordaz et al., 2012). These individual orientations culminate in strategies that focus either on the market or the art based on extrinsic (business) or intrinsic (creative) motives or the combination of both (Jones et al., 2016).

An important distinction between extrinsic and intrinsic motivation arises in this context and the respective response the entrepreneurs display. Intrinsic motivation refers to motivation coming from within an individual, while extrinsic motivation refers to motivation from external factors (Bird, 1988). Recent studies indicate that creative entrepreneurs are motivated by a bundle of intrinsic and extrinsic motivations (Bergamini et al., 2018). Some common intrinsic motivations for artists and creative entrepreneurs include a desire to express themselves and their ideas through their work, a love of the creative process and passion for the subject matter or medium they work in as well as autonomy and flexibility at work (Clossen et al., 2019;

Konrad & Fronz, 2016). Some shared extrinsic motivations for artists and creative entrepreneurs include financial rewards, such as the ability to make a living from their work, the opportunity to contribute to society or make a positive impact, growth, job creation and economic independency (Carsrud & Brännback, 2011). Abecassis-Moedas et al. (2021) state that for some motives, it can be hard to categorize them as either extrinsic or intrinsic, like self-fulfilment, recognition and fame. Both intrinsic and extrinsic motivations can play a role in an artist's or creative entrepreneur's work and can affect their motivation and drive to create (Cnossen et al., 2019). For example, due to a stronger personal connection, an artist intrinsically motivated by the love of aesthetic creation may be more likely to continue working on a project even in the face of challenges, setbacks and rejections. In contrast, an artist primarily motivated by external rewards and solely financial returns may be more likely to be deterred by such challenges and switch towards another project. Ultimately, the mix of intrinsic and extrinsic motivations will vary from entrepreneur to entrepreneur (Bird, 1988). Creative entrepreneurship, by definition, has different motives and orientations than other career paths (Cnossen et al., 2019; Schulte-Holthaus, 2018). Cultural entrepreneurs possess a cluster of motives consisting of business, artistic and passionate elements (Bergamini et al., 2018; Chaston & Sadler-Smith, 2011). Thereby, a mixed form of extrinsic and intrinsic motivations can be understood as the genesis of cultural entrepreneurship and significantly influences the creative process. As Wilson and Stokes (2005) state, the combination of leisure and professional work in art and creativity makes entrepreneurship and self-employment for cultural and creative entrepreneurs a form of lifestyle as people start businesses to sell products containing their personalities and to develop themselves personally. Generating income can simultaneously be an expression of one's personality and a fulfilment of one's lifestyle. Creative entrepreneurs utilize personal resources to create creative products and to advertise their own personalities (Eikhof & Haunschild, 2007).

As innovation is the process of creating new ideas or methods and implementing them practically and competitively in the market, it often involves taking risks, thinking creatively and coming up with new solutions to problems (Kock et al., 2011). Sarooghi et al. (2015) define innovation in the creative industries, especially according to the business understanding, as the market-driven implementation of new products and services (extrinsic motivation), whereas creativity is the development of nonconformist ideas (intrinsic motivation). Thus, intrinsic motivation can play a significant role in innovation because it is often driven by a desire to create or solve problems, explore new ideas and push boundaries. Artists and creative entrepreneurs who are intrinsically motivated may be more likely to pursue innovative projects or ideas because they are driven by their own curiosity and desire to create rather than by external rewards or pressures. On the other hand, extrinsic motivation can also play a role in innovation, as external rewards and incentives can provide the necessary motivation and resources for individuals to pursue innovative projects. Artistic products have a strong subjective, intrinsic need for expression (Gangi, 2017). Whenever artists or creatives feel compelled to turn their creativity into a market novelty, their creative energy, the most

important resource of any artist, is undermined by exploiting it economically (Eikhof & Haunschild, 2007). Too much focus on individual creativity can be detrimental to innovation if, for example, external feedback and resource providers are pushed too far into the background (Wilson & Stokes, 2005, pp. 366–367). In contrast, the extrinsic mindset prevents creating genuine and personal products (Höllen, 2022). Recent literature on innovation in the creative industries and lifestyle business implies that intrinsic and extrinsic motivations can contribute to innovation in the creative industries. However, the combination between the two will vary depending on the individual and the situation, thereby influencing innovation in reciprocally dependent ways. This combination represents one of the most discussed tensions in the cultural and creative industries: between art and commerce, creativity and business, and the artistic and economic logic (Schediwiy et al., 2018).

### 3 | HYPOTHESES

#### 3.1 | The role of creative orientation of a founder on innovation

Innovation depends on passion, experimentation, trial and error, and creative imagination (Strøm et al., 2020). Creative entrepreneurs are rooted in a sector where intrinsic motivations and orientations define their identities and behaviours (Becker, 1982). Creative people are not used to being limited by timeframes and often have intrinsic and non-commercial motivations (Matetskaya, 2015). Bergamini et al. (2018) analyse the entrepreneurial processes of companies in the field of art. Across the group of artists, the authors find similarities but also differences in comparison to other types of entrepreneurs. Among the similarities is the founder's strong vision driving their ventures. Among the differences is the motive for innovation, which is determined by the founder's artistic vision and not by its need for business success and competitive advantage. In this respect, creative motivations drive innovations that are artistically unique.

The perspective on innovation as avant-garde and a way to express oneself shifts the view on work as a source of income (Chaston & Sadler-Smith, 2011). This form of expression can inspire creativity and provide a sense of novelty and innovation (Overdiek, 2016). Chen and Tseng (2021) argue that creative entrepreneurs express their innate artistic skills and embody ideas through their new venture. On the flip side, creative workers may refuse projects if they do not fit their artistic integrity and meet their required standards (Landoni et al., 2020). Wijngaarden et al. (2019) point towards the phenomenon that innovation has become an empty term for many creative entrepreneurs, but it immediately becomes meaningful and desirable as soon as it connects to the person, a specific content or experience. It is more of a self-satisfying dynamic: Creative workers engage in innovation processes when they believe their current performance is not up to par with their aspirations (Castañer & Campos, 2002). This desire to conform to one's self-image motivates, reduces tensions, aids in developing an entrepreneurial career and

leads to further innovation (Essig, 2017). Innovations and the resulting products are identity building and thus both a condition and an impetus for further self-development and new products (Peltoniemi, 2014). Therefore, we state the following:

**Hypothesis H1.** *A founder's creative orientation positively relates to innovation in the creative industries.*

### 3.2 | The role of business orientation of a founder on innovation

Besides creative motivations, extrinsic economic orientations and motives also exist (Jones et al., 2016). Randhawa et al. (2021) state that business orientation is an understanding of how to act economically through a deeply embedded set of values, motivations and beliefs. It thus represents the entrepreneurial side, for example, the aim for financial returns, growth and prosperity through focused information acquisition, information processing and coordination (DeSoucey & Demetry, 2016). Whenever artists seek professional status and make a living out of their artistic practices, they must challenge the market and understand themselves to be its subject (Eikhof & Haunschild, 2007). Some studies challenge this view and argue that business orientation may hinder creativity, resulting in adverse effects on innovation (Camelo-Ordaz et al., 2012). In contrast to other industries, managerial practices such as financial management and marketing may not be essential for a successful novelty in the creative industry (Bujor & Avasilcai, 2016). In extreme cases, the managerial side can create tensions that impede creativity and innovation (Cnossen et al., 2019). Jaw et al. (2012) argue that business focus must be seen separate from innovation because finance and economic growth are never in the creative worker's focus. Similarly, Chen and Tseng (2021) argue that financial success is not the main driver of creative entrepreneurship and does not fully capture entrepreneurial success.

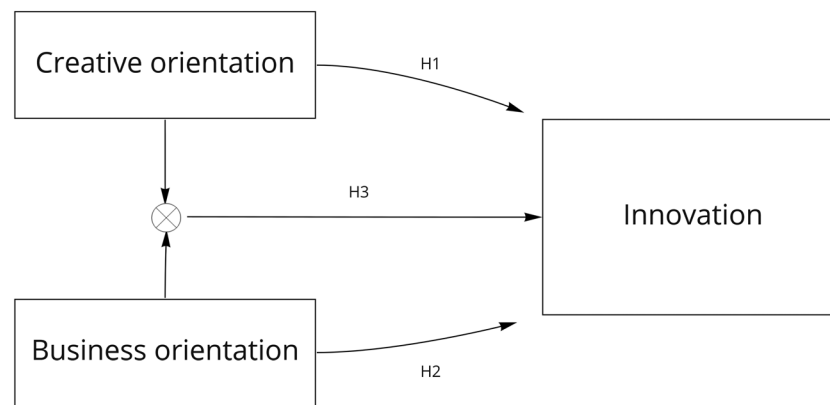
This perspective neglects the entrepreneurial part in the creative industries and pictures the entrepreneur as an artistic genius without any materialistic aspiration. Some authors even criticize the overemphasis on the elusiveness of creativity, glossing over the precarious position of the artist (Bain, 2005; Gu, 2014). In contrast to this view, other researchers argue that effective innovations not only require novel ideas but also have to be sufficiently profitable (Kohn & Wewel, 2018), making business orientation essential. Protogerou et al. (2017) find a positive effect of business motives on innovation and argue that innovation requires a range of managerial, financial and marketing skills. Innovation is not only a matter of divergent thinking but also needs convergent thinking to allow implementation (Amabile, 1997). Creativity must also be reconciled with the prevailing industry norms (Wu & Wu, 2016), which is possible via a unique combination of interrelated management and artistic practices (Jaw et al., 2012). Especially in small companies, which form the majority of actors in the creative industries, a market orientation seems to stimulate innovation (Didonet et al., 2016). Caniato et al. (2014) see the market and its trends as a source of inspiration. In their study, fashion

designers occasionally create new collections based on their creativity and sometimes by adapting to the local markets. In some cases, a structured, market-based approach fuels innovation (Granados et al., 2017). Therefore, the second hypothesis assumes that business motives may be conducive to innovation:

**Hypothesis H2.** *A founder's business orientation positively relates to innovation in the creative industries.*

### 3.3 | The interaction of creative and business orientation of a founder on innovation

Creative entrepreneurs pursue the fulfilment of their artistic visions, but they also need to be economically sustainable by displaying a complex mix of business and creative orientations (Abecassis-Moedas et al., 2021). The resulting tensions between creative and industrial vision lead to paradoxical management challenges (Wu & Wu, 2016). Thus, market orientation and individual creative orientation are hard to combine and need to be well balanced (Granados et al., 2017). Nevertheless, the combination of various orientations is essential for creation and commercialization (Konrad & Fronz, 2016), and entrepreneurs with the capability to explore opportunities can tailor their products to market demands (Chen & Tseng, 2021). According to the paradox theory, it seems to be promising for a creative entrepreneur to be equitable to both sides. Schediwy et al. (2018) analysed young musicians' careers and their perceived identity and found out that the scrutinized group did not necessarily experience tensions between artistic ('bohemian') and business ('entrepreneurial') imperatives. Instead, the authors empathize entrepreneurial action in a combined and synergetic manner. This finding is supported by previous studies pointing to the coexistence of business- and artistic-related aspects (Eikhof & Haunschild, 2007). A solid business model provides a platform for self-expression, while a combination of business and art can help stay adaptive and foster creativity and commercialization (Bridgstock, 2013; Overdiek, 2016). Active commercialization of the arts can create a new kind of expression, increase outreach and strengthen resources so that entrepreneurship can be used as a carrier platform to express one's passion and thus contributes in a complementary way to the creation of new art (Milanesi, 2018). Market orientation supports innovation (Didonet et al., 2016) even more when combined with an artistic vision (Bergamini et al., 2018). An orientation towards creative aspects provokes innovativeness by helping to create new solutions for problems and to perceive the environment in a different way (Fürstenberg, 2018). Assessing the correct ratio demands a high degree of self-management, but the awareness of these elements is vital to solving the paradox between art and commerce and therefore driving innovations (Protogerou et al., 2017). Not every business leader can combine entrepreneurial creativity and business orientations effectively (Sok & O'Cass, 2015). However, a dynamic approach to innovation can integrate artistic and economic goals since creative entrepreneurs work towards innovations that are valued not only for their originality but also for their aesthetic

**FIGURE 1** Research model.

properties (Jones et al., 2015). We hypothesize that creative and business orientation complement each other in their impact on innovation in the creative industries and that a balanced expression will lead to innovations that satisfy both the market and the artistic self (Eikhof & Haunschild, 2007). Accordingly, we state the following:

**Hypothesis H3.** *The complementarity of a founders' creative and business orientation (two-way interaction) positively relates to innovation in the creative industries.*

Figure 1 summarizes the contingency model and the hypotheses.

## 4 | RESEARCH DESIGN

### 4.1 | Sample

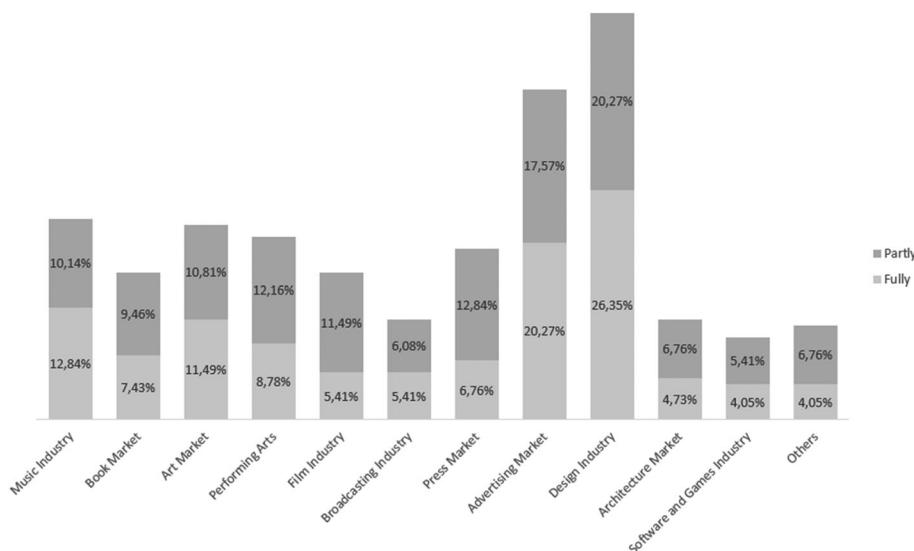
In today's changing world, most firms need to decide between opposing poles, for example, economic and ecologic considerations. We chose the creative industries as an extreme case in which orientation conflicts prevail. The creative industries include cultural and creative enterprises that are predominantly commercially oriented and are engaged in activities such as creating, producing and distributing cultural/creative goods and services (Jeffcutt & Pratt, 2002; Konrad & Fronz, 2016). The creative industries are experts in adapting, balancing and improvising (Jones et al., 2015). Further, they provide a growing contribution to the overall economy and can serve as a role model to other sectors with increasing importance of knowledge-based work, where creativity is seen as an economic advantage (Abecassis-Moedas et al., 2021; Konrad, 2013). Despite their heterogeneity, the cultural and creative industries combine traditional economic sectors, new technologies and modern forms of information and communication. In 2019 (pre-COVID-19), about 258,800 firms with annual revenue of EUR 174.1 billion belonged to the cultural and creative industries in Germany (BMW, 2020). A portion of these ventures consists of medium, small and micro-sized enterprises, but the majority are self-employed professionals, with large companies being an absolute exception.

Carefully considering the complex dynamics within the creative industries with their severe tangibility and monitoring possibility, as well as the various challenges and limitations that might result, the study requires an appropriate sample for the observation of the statistical population. Thus, a step-by-step delimitation followed by applying different criteria to obtain a sample that is as representative as possible. For this purpose, we focused on the federal state of Rhineland-Palatinate and the 11 submarkets of the creative industries due to its equal distribution of sectors and long-lasting history of the creative and cultural ecosystem. The state of Rhineland-Palatinate represents an appropriate microcosm of the cultural and creative industries in Germany as a whole. In addition, there are excellent contacts to start-up incubators, universities, ministries and cultural institutions, which increases the response rate, overview and closeness to the sample. In utilizing this, we can thus counteract some corresponding limitations, such as survivorship bias or coverage error.

We surveyed self-employed professionals and firm owners in two waves 5 years apart (771 in T1 and 734 in T2). A total of 277 respondents participated in both surveys. Since solo entrepreneurship and 'organization of one' are predominant in the creative industries, the individual and organizational levels are interwoven and the founders essentially represent the organization. In the case of firms with more than one person, we concentrated on the firm owners since, particularly in small firms, owners represent the firm's core resource and determine as well as control the innovation process (Jacobs & Cambré, 2020). The final sample consists of  $n = 149$  firm owners and/or self-employed creatives (only respondents that provided information on innovation were included). According to Hair et al. (1998), the final sample size of 149 is satisfactory concerning the number of variables we include in our analyses.

Figure 2 shows the sample's distribution across sub sectors. Respondents could indicate whether they estimate they do not belong to this subsector, *partially* belong to it or *fully* belong to it. We observe that approximately 46% of the respondents estimate that they partly or fully belong to the design market. This is followed by the advertising market and then equally distributed among the other sectors. The design and advertising market represents the sectors with the largest number of small-scale entrepreneurial ventures overall in the creative industries (BMW, 2020).



**FIGURE 2** Distribution of the sample across the subsectors.

The survey in T1 collected data on independent variables and control variables. The survey in T2 assessed the dependent variable, namely, the innovation outcomes. This time lag among the independent and dependent variables' measurement helps to control for the common method bias (Podsakoff et al., 2003) and opens up the possibility to identify temporal change dynamics.

## 4.2 | Measurement

To complement the large body of qualitative work describing the tension between art and market, a quantitative research design with a large sample size was chosen to investigate the interaction between business orientation and the creative orientation of founders on innovation. Therefore, a quantitative analysis of how the entrepreneurs' individual orientation shapes an organization in the long term was carried out. Based on the question of how the founder's personal orientations influence the venture in the long term, the literature refers to imprinting. According to Stinchcombe (1965), imprinting occurs when elements of the founding environment affect an organization after the founding stage. In this way, enterprises will continue to display characteristics of the founding phase (Baron et al., 1999). As the results from Abecassis-Moedas et al. (2021) displayed in the context of the creative industries, during the founding stages, organizational practices and structures become ingrained in the organization due to inertia and vested interest of the founder leading to a lasting impact of individual motivations on the venture. Imprinting seems particularly crucial for small organizations or organization of one, which is typical for the creative industries. In combination with the fact that behavioural attitudes are generally stable (Rauch & Frese, 2007), a time-lagged approach allows us to observe potential interaction effects over the 5-year period. Therefore, in line with the work of Covin and Slevin (1989) and Poon and Mohamad (2020), a 5-year time frame for the observation of innovativeness was chosen.

The scales used were adapted from previous literature and partly adjusted to better fit the context of the creative industries (Fronz, 2015; Konrad & Fronz, 2016; Protogerou et al., 2017). Unless stated otherwise, the owners rated each item on a 5-point Likert scale ranging from 1 (*does not apply at all*) to 5 (*fully applies*). The measurements are listed in Table 1.

### 4.2.1 | Dependent variable

The term innovation in the arts and the cultural and creative industries is faceted and less technological than in other branches. According to the theories of artistic innovation (Galenson, 2008), soft innovation (Stoneman, 2010) and hidden innovation (Miles & Green, 2008), innovation in the creative field could mean a new genre, a new way of painting but also new digital-based services and products. The kind of innovation varies across the subsectors; for example, an innovation in the television industry considerably differs from innovation in the book industry. As the creative industries do not share a common concept of innovation due to their different sub sectors and also due to the actors' individual valuation, an additional open question was chosen to capture the elements of innovation. This allowed us to make the concept of innovation more accessible for the entrepreneurs, and we were able to explore all the individual facets of innovation. To do so, the founders could describe in an open question what innovation they had created and what elements this innovation included.

Elements of innovation in our sample consisted of new content, new symbolic and aesthetic experiences, new intellectual impulses, new styles, new design, new genres and the use of new materials. A majority of the described innovations consist not only of one but also of a combination of several of the elements mentioned above. One founder mentions the development of new computer games using virtual reality in combination with a new genre. Another innovation named is the combination of photography and painting or the fusion of theater, music and performing magician's art.

**TABLE 1** Measurement items.

Measurement items
<p>Creative orientation (Fronz, 2015; Konrad &amp; Fronz, 2016)</p> <p>What were your personal reasons or motivation to start your self-employment?</p> <p>(1) Wish for self-realization</p> <p>(2) Passion and dedication to the field</p> <p>(3) Flexible and autonomous work</p> <p>What are/were the long-term goals you have/are pursuing with the self-employment?</p> <p>(4) Realization of artistic and creative ideals</p>
<p>Business orientation (Fronz, 2015; Konrad &amp; Fronz, 2016)</p> <p>What were your personal reasons or motivation to start your self-employment?</p> <p>(1) Striving for economic independence</p> <p>What are the long-term goals you are pursuing with the self-employment?</p> <p>(2) Growth and increase in value of the business</p> <p>(3) Long-term assurance of self-employment</p> <p>(4) Job creation</p>
<p>Innovation (Protogerou et al., 2017)</p> <p>In the last 5 years, have you introduced new or significantly improved products or services to the market and to your customers/clients that are either radically new for your company* or even radically new to your industry**?</p> <p>*Radically new for your company: 'My company has not offered this before, but other companies in my industry did'.</p> <p>**Radically new for your industry: 'This has never existed on the market before. This is what I have developed for the industry'.</p> <p>New or improved products and services include, for example, completely new products/services, new user experiences, new forms of marketing, new interaction and communication with customers, new distribution channels, new processes in the field, new forms of marketing, new forms of interaction and communication with customers, new sales channels, new production processes, new software, new forms of internal and external collaboration, new business models and the like.</p> <p>If the company is less than 5 years old, your founding year is considered the reference year.</p> <p>(1) Yes, radically new for my company and the industry</p> <p>(2) Yes, radically new for my company</p> <p>(3) No, only minor innovations and improvements</p> <p>(4) No, no innovations and improvements</p>

Note: Unless stated otherwise, the owners rated each item on a 5-point Likert scale ranging from 1 (does not apply at all) to 5 (fully applies).

Following Protogerou et al. (2017), the dependent variable *innovation* describes whether a firm owner implemented an innovation, differentiated according to the degree of the innovation. The variable *innovation* is 1 if *no innovation* was realized. The variable is 2 (i.e., *innovation*) if the firm owner stated that he or she implemented an innovation that was new to the firm. Lastly, the variable is 3 (i.e., *radical innovation*) if the entrepreneur stated that the innovation

was 'radically new for my company and the industry'. This classification was made after long consideration and reviewing the open question section. The reason is that the distinction between different forms of innovations must be put into relation to the market. So while the use of a material may be radical for the new company, it may not be radical for the industry. As a result of the open-question data, post hoc discussions with entrepreneurs, and in line with the theory of incremental innovations, we decided that minor and major innovations should be aggregated to the category 'innovation' as long as they represent renewals within the bounds of the venture. The next higher category we counted for, which clearly differed from previous categories, was the innovations that also affected the industry as a whole ('radical innovation'). These innovations represent a cross-company frame of reference for the innovation process within the creative industries. For example, the use of multiple genres in theater can lead to an unprecedented product, representing a radical break and renewal for the theater itself and the entire industry. A different classification, in which we calculated four categories instead of three, yielded very similar results as the ones reported below.

#### 4.2.2 | Independent variable

Although a variety of motivations and orientations exist in other economic sectors, the tension between the business and creative orientations is more pronounced in the creative industries (Abecassis-Moedas et al., 2021). We measured *creative orientation* (four items) and *business orientation* (four items) with scales based on the work of Fronz (2015) and Konrad and Fronz (2016). These scales have been tailored to the specific needs of the creative industries by Fronz (2015) and validated by Konrad and Fronz (2016) and Höllen et al. (2020). Creative orientation includes, for example, the desire for self-realization and the realization of creative and artistic ideals, whereas business orientation is composed of economic independence and growth. The scales reflect the founders' underlying intention, which consists of a mix of motivations and goals. For example, creative orientation reflects the direction in which a cultural entrepreneur wishes to develop, what they aim to achieve and the artistic motivation driving them. However, a high level of creative orientation does not necessarily mean that the cultural entrepreneur is particularly creative or skilled in the arts. Instead, our construct measures the direction of their focus rather than the strength of their creativity or artistic abilities. Reliability analysis demonstrated acceptable Cronbach's alpha coefficients for the creative orientation ( $\alpha = .63$ ) and business orientation ( $\alpha = .68$ ).

#### 4.2.3 | Control variables

We controlled for several variables that might affect the relationship between orientations and innovation. First, *founder team size* and *previous founding experience* play an important role. A larger founder team size may result in team heterogeneity, creating synergistic effects and

affecting innovation (Protogerou et al., 2017). According to Vyakarnam et al., (1999), long-tenured entrepreneurs would eventually become less adaptable and innovative. Second, we examined if the owner works *full-time*. Jacobs and Cambré's (2020) results show that part-time ventures tend to grow lesser. In this sense, innovation might be affected as well. Working part-time could be an indication that the occupation does not necessarily exist to secure one's livelihood, resulting in more stretch towards the creative orientation. Third, we included the *urban region* the venture is operating as a binary variable equal to 1 if the firm operates in an urban region and 0 if centred more in a rural area. The companies in cultural and creative industries are not distributed evenly across Germany, leading to varying influences and differences in understanding of innovations (BMW, 2020). Finally, we established two more items: *self-attribution* as a *business owner* or *artist*. Self-attribution may affect innovative behaviour as the perceived identity is a significant determinant of someone's motivations and choices (Schediwy et al., 2018). To control for the heterogeneity of sectors within the creative industries, we included aggregated sector dummies: *media* encompasses the press, broadcasting, book market, film or software and games industry; *art and culture* encompasses the art market, performing arts and music; and *design* encompasses the design, architecture or advertising market. This approach still captures the diverse nature of sectors but also keeps the model parsimonious.

## 5 | RESULTS

We applied ordered probit regression with the STATA module *oprobit* to test our hypotheses. Table 2 presents the descriptive statistics.

Table 3 shows the regression output for the controls (Model 1), the direct effects (Model 2) and in the final model the interaction effect (Model 3).

The first model in Table 2 shows the coefficients for the control variables, where *fulltime* ( $b = .63, p = .007$ ) and *previous founding experience* ( $b = .64, p = .022$ ) is significantly related to innovation.

Model 2 shows the results for Hypothesis H1, which predicted that an entrepreneur would more likely implement an innovation of higher innovativeness when they show a stronger creative orientation. This hypothesis is supported: We find a positive and significant relationship between creative orientation and innovation ( $b = .67, p = .002$ ). In the same model, the coefficient of business orientation was not significant ( $b = -.01, p = .962$ ), which does not support our Hypothesis H2 that entrepreneurs with a strong orientation towards business aspects would be more likely to implement an innovation. Model 3 displays our final model. The coefficient of the interaction term between creative and business orientation is negative ( $b = -.55, p = .024$ ), thus showing a reverse effect of what was expected, which leads to rejection of Hypothesis H3.

As additional robustness tests, we also ran the model with various sets of control variables and with all 11 sector dummies of the creative industries. The results were consistent to the one presented above.

The simple slope analysis in Figure 3 shows varying effects on the probability of the innovation degrees depending on whether creative or business orientation is *high* or *low* (i.e., mean plus/minus one standard deviation). A low business orientation combined with a low creative orientation has a high probability of developing no innovation at all. However, a creative orientation can substitute for a low business orientation because a high creative orientation combined with a low

**TABLE 2** Descriptives and correlations.

Variable	1	2	3	4	5	6	7	8	9	10	11	12
(1) Innovation	1.00											
(2) Attribution business	.20	1.00										
(3) Attribution artist	.00	-.15	1.00									
(4) Fulltime	.22	.16	-.10	1.00								
(5) Previous founding experience	.17	.08	-.08	-.14	1.00							
(6) Founder team size	.08	.08	-.06	-.15	.29	1.00						
(7) Urban region	-.05	-.01	-.13	-.16	.26	.23	1.00					
(8) Sector media	-.03	.04	-.19	-.01	-.02	-.08	.09	1.00				
(9) Sector arts and culture	-.03	-.13	.42	-.03	.08	.04	-.15	-.21	1.00			
(10) Sector design	.11	.17	-.25	.15	.08	-.14	.12	.18	-.29	1.00		
(11) Creative orientation	.29	-.04	.28	.00	.01	.05	-.12	-.08	.03	.10	1.00	
(12) Business orientation	.23	.42	-.30	.31	.08	.02	.08	.05	-.26	.47	.26	1.00
Min	1.00	1.00	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	1.25	1.00
Max	3.00	5.00	5.00	3.00	1.00	9.00	1.00	1.00	1.00	1.00	5.00	5.00
Mean	1.99	3.52	3.39	0.72	0.21	1.58	0.56	0.48	0.48	0.62	4.44	3.60
Standard deviation	0.52	1.29	1.28	0.49	0.41	1.22	0.50	0.50	0.50	0.49	0.60	0.81

Note:  $N = 149$ ; correlations above .160 are statistically significant on the 5% level.

**TABLE 3** Ordered probit-regression results

Innovation	Model 1	Model 2	Model 3
Attribution business	0.14 [.091]	0.17 [.072]	0.21* [.028]
Attribution artist	0.08 [.351]	−0.02 [.824]	0.05 [.651]
Fulltime	0.63** [.007]	0.64** [.009]	0.69** [.007]
Previous founding experience	0.64* [.022]	0.64* [.025]	0.77** [.009]
Founder team size	0.09 [.359]	0.05 [.616]	0.07 [.492]
Urban region	−0.22 [.316]	−0.11 [.620]	−0.22 [.349]
Sector media	−0.06 [.774]	−0.02 [.939]	−0.03 [.891]
Sector arts and culture	−0.13 [.579]	−0.06 [.815]	−0.15 [.543]
Sector design	0.2 [.392]	0.06 [.825]	0.12 [.635]
Creative orientation		0.67** [.002]	0.55* [.018]
Business orientation		−0.01 [.962]	−0.13 [.508]
Creative orientation X business orientation			−0.55* [.024]
cut1	0.21 [.700]	−0.13 [.818]	0.22 [.718]
cut2	2.66** [.000]	2.45** [.000]	2.85** [.000]
Pseudo-R <sup>2</sup> (Nagelkerke)	0.09	0.14	0.17
Wald chi <sup>2</sup>	21.01	33.09	38.92
Log likelihood	−103.85	−97.81	−94.89

Note: Ordered probit regression;  $n = 149$ ;  $p$  values in brackets.

\* $p < .05$ . \*\* $p < .01$ .

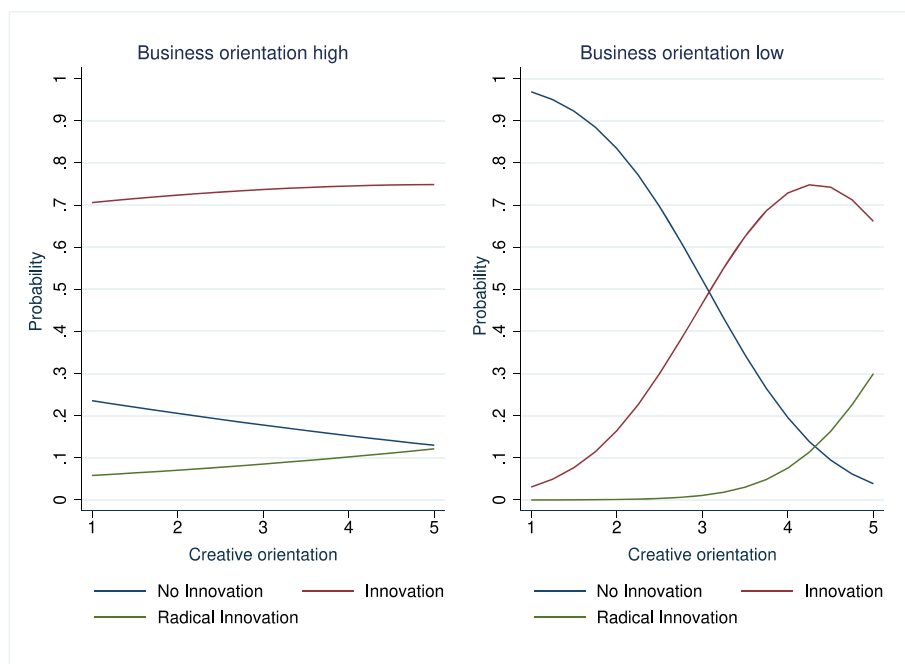
business orientation leads to a high likelihood of innovation, especially radical. Vice versa, a business orientation can substitute for a creative orientation because a high business orientation combined with a low creative orientation will also lead to a high likelihood of innovation, albeit not radical. When business orientation is high, a simultaneously high creative orientation will also increase the probability of innovation, but only weakly. We will discuss these findings in the following.

## 6 | DISCUSSION

At the heart of the decision process, the founder plays a significant role in firms' innovative activity in the creative industries (Protogerou et al., 2017). Since there is considerable individual variation among

different founders in the creative industries (Chen & Tseng, 2021), we try to find common ground by examining intrapersonal orientations among creative entrepreneurs. Founders directly confront and address the tensions that occur when the business and artistic sides clash to secure their firm's long-term viability. A complex composition of orientations is essential to create innovation (Bujor & Avasilcai, 2016). This study aimed to empirically investigate how creative and business orientation relate to innovation. The findings suggest a complex interaction.

When we only consider direct effects, we find a positive relationship between creative orientation and innovation in the creative industries. Creative orientation enables a creative worker to design novel ideas helping to create new axes of vision on problems and perceive one's environment differently (Fürstenberg, 2018). Creative



**FIGURE 3** Simple slopes. [Colour figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

orientation consists of self-fulfilment and freedom, as used by Abecassis-Moedas et al. (2021) in connection with a founder's long-term imprinting influence, but also artistic elements of passion and artistic ideals (Konrad & Fronz, 2016). This study's results indicate that a creative orientation helps not only generate but also implement an idea and thus supports that creativity, passion, the desire for self-realization and freedom and innovativeness in creative entrepreneurship are related. The mixture of classically artistic motives, such as passion and the urge for self-realization, seems to generate an innovative impulse. This finding aligns with recent studies identifying creative orientation as important for entrepreneurial success (Chen & Tseng, 2021). Entrepreneurship is often thought of as a rational, analytical pursuit focused on identifying and exploiting business opportunities. However, by expanding these findings on the innovation process, we can argue that innovation in the creative industries is a creative endeavour requiring the ability to generate and evaluate novel ideas, adapt and pivot in response to changing circumstances mainly driven by creative orientations and the respective skillset.

Second, we do not find that business orientation directly relates to innovation. This is an important finding since innovation requires both divergent (i.e., more creative) and convergent (i.e., more business-oriented) elements (Sarooghi et al., 2015). Our findings are supported by recent literature, as a simple focus on business motives could create a context that is not fruitful for or may even hinder innovation within the creative industries (Cnossen et al., 2019). The importance of the intrinsic factors (closely related to creative orientation) is also reflected by Chen and Tseng (2021), as they argue that economic indicators do not fully capture success and there are some things beyond financial profit that creative entrepreneurs strive for.

However, only considering direct effects is insufficient because we find an interaction between creative and business orientation. Founders with a simultaneously low creative and business orientation

have a very low likelihood of developing any innovation. Since the two orientation poles are indirectly related to goals and motivations, this finding implies that having a clear set of goals and motivations is crucial for driving innovation. More interestingly, the data show that the orientations can be substitutes to some extent because the probability of innovation increases as soon as a founder has a higher expression in one of the two orientations. This supports the idea that change and innovation require an innate drive. The vital difference is that substituting a low business orientation with a high creative orientation more strongly increases the likelihood of radical innovation, while substituting a low creative orientation with a high business orientation more strongly increases the likelihood of new-to-the-firm innovation. So, although both economically and artistically driven founders tend to innovate, the creative orientation may have a stronger substitution effect than the business orientation. This finding highlights the importance of intrinsic motivation in driving change and innovation.

Surprisingly, an increase in creative orientation with a simultaneously high business orientation only marginally increases the likelihood of innovation. A high expression of both orientations may cause cognitive friction when the founder tries to juggle the opposing poles because the dynamics between them are cognitively straining (Rosing & Zacher, 2017). A decision-maker who has to satisfy both sides can become overwhelmed in finding the appropriate balance. Overdiek (2016) states that dual leadership structures between a person with a business focus and a person with a creative focus work best to juggle quantifiable and efficiency-driven processes and intangible and creativity-driven ones. Another reason might be the nature of incremental innovation. What has long been standard practice for the industry can be a decisive change for some ventures. To adapt or improve one's own business through external impulses requires an evaluation of the current situation. A high business orientation seems

useful when transferring promising business practices into the company and implementing them as incremental innovations. For a few reasons, founders with a strong business orientation may be more likely to adapt their businesses by imitating best practices from other companies. A strong business orientation means that the founder is likely to be well versed in the industry and the market and may understand what works well for other companies in the same field. This knowledge can help identify best practices and strategies to adopt in their business. Also, a strong business orientation often focuses on efficiency, profitability and competitiveness. Imitating best practices from other companies can help achieve these goals by streamlining operations, increasing revenue or gaining a competitive edge. Additionally, founders with good business sense may be more risk-averse and want to minimize uncertainty when running their businesses. Imitating best practices from other companies can help mitigate the risk of failure by providing a proven model. Lastly, imitation of best practices from other companies can help the founder to save time and resources, rather than trying to figure out everything from scratch. They can learn from the mistakes and successes of others and apply those lessons to their own business, which can help them achieve their goals more quickly and efficiently.

However, strongly creative-oriented and—at the same time—low business-oriented entrepreneurs more likely focus on their artistic vision across their company's boundaries and do not prioritize implementing best practices. This singular focus may limit their ability to innovate incrementally but enormously boosts the probability of radical innovation. It is conceivable that founders who pay special attention to the creative side and their artistic visions act and design unhindered by business considerations. Their focus is not to drive the direct implementation and complete a market match but go freely into the process. In the long run, this seems to favour radical innovation without reference points in the industry. In addition, founders take more risks and explore unconventional ideas when they do not focus on the market during the creation process.

A closer look at our control variables reveals that founders who see themselves as businesspeople are likely to utilize their talents to establish and grow a successful business, as their inner urge of self-realization is likely covered partly by the fulfilment and creation of market-driven innovation. For example, a band that sees themselves as businesspeople may be more driven to reinvent their music if it means filling large halls and being commercially successful than a novel avant-garde rearrangement for a niche audience. This mindset can lead to more innovation because they are constantly looking for new and innovative ways to stand out from the competition in their industry and appeal to their target market. Our data imply that having previous founding experience can also contribute to innovation because entrepreneurs likely learn from their past experiences and apply that knowledge to new ventures. Additionally, working full-time on a business allows entrepreneurs to fully immerse themselves in their work and dedicate the necessary time and resources to develop new ideas and implementing them successfully.

Overall, this study's findings suggest critically reviewing the trade-off between art and the market. We can state that increasing

one of the two sides generally increases the probability of innovation. The creative side sets the tone in the radical innovation process, and our results support the finding that creativity is a vital component of innovation among entrepreneurial ventures (Chen & Tseng, 2021; Poon & Mohamad, 2020). Nevertheless, the business orientation can substitute a shortage of creative orientation to a certain extent and seems valuable, especially for innovations that are only new to the firm.

## 7 | IMPLICATIONS

### 7.1 | Theoretical implications

This research contributes to the literature by a differentiated observation of the artistic innovation process with its elements of market and art. We first contribute empirical evidence to the paradox theory and the interaction between the opposite poles (Bergamini et al., 2018; DeFillippi et al., 2007; Jones et al., 2016) as well as providing a deeper understanding of the micro-determinants affecting entrepreneurs' innovation process (Strøm et al., 2020). Combining the paradox theory with time-lagged data, we could examine the long-term influence of orientations as a goal-setting determinant (Reijonen, 2008). Our quantitative research design complements the qualitative work of Abecassis-Moedas et al. (2021), who state that the founder's orientation at the time of the venture's founding can predict the potential for innovation, endorsing the proposition of scholars that founder orientations shape the entrepreneurial innovation process in the creative industries. We fuel the ongoing theoretical discussion of whether creative workers should balance conflicting logics or should rather focus on their creative vision to disentangle the conflict between art and commerce. Our study gives hints, at least for the outcome innovation.

The study contributes to the paradox theory within the creative industries to the extent that the interrelatedness between the two poles that Smith and Lewis (2011) note to distinguish a paradox from a tension is evident in our data. By examining the degree of innovation in more detail, this study can illustrate which combination of business and creative orientation influences the likelihood of different degrees of innovation. Thus, our study echoes the study of Miron-Spektor et al. (2018), who state that a paradoxical mindset is a key to unlocking the potential hidden in tensions and transmitting it to the creative industries.

Chen and Tseng (2021) argue business success is not the main driver of creative entrepreneurship, but still, entrepreneurs who can explore opportunities can tailor their products to market demands. This is reflected in our data, as we see a relevant substitution effect for innovation and even radical innovation. Even if business and creative orientation do not seem to relate to innovation synergetically, our study supports the work of Schediwy et al. (2018), who emphasize a combined view of business and creative aspects. Thus, we can confirm that market orientation supports innovation (Didonet et al., 2016) when combined with an artistic vision (Bergamini et al., 2018) but only under certain conditions and for certain types of innovation.

Ultimately, the substitutive effect supports the studies emphasizing that the paradox between two poles is cognitively straining and may not be reconcilable in one person (Overdiek, 2016; Rosing & Zacher, 2017).

Furthermore, it offers new theoretical insights into how creative entrepreneurs form their environment and businesses long-term—thus supporting the artist's image as a bohemian rebel, shaping their venture with their passion and creative ideals. The study's findings raise the question of how this image is still applicable within the creative industries or whether the boundaries between the creative and non-creative sectors increasingly blur. Knowledge-based sectors seem to increasingly harmonize, but the creative orientation still appears to be particularly influential. With the increasing importance of knowledge-based work, creativity finds its way into almost every business field (Abecassis-Moedas et al., 2021). Still, it remains to be seen if creative orientation will become increasingly significant for innovation by other actors in other industries.

The creative industries are an essential element of modern economic infrastructure and will play a crucial role in the future (Bujor & Avasilcai, 2016). Therefore, research on entrepreneurs in the creative industries can provide important insights relevant to mainstream research on strategy, management and organization (Schulte-Holthaus, 2018).

## 7.2 | Practical implications

The study further contributes to an understanding of the complexity faced by creative entrepreneurs: Knowledge about the tensions involved in managing innovation reveals the part they play and the opportunities available in the creative industries (Strøm et al., 2020). Creative entrepreneurs whose main activity is creation, such as designers, craftspersons or composers, find it challenging to plan their businesses strategically and effectively (Bujor & Avasilcai, 2016). In this sense, creative orientation as the basis of strategic decisions could help motivate to achieve innovation on a long-term basis. Indirectly, our results could be seen as a legitimation to pursue one's passion without having to renounce innovation.

As we do not find a direct effect of business orientation on innovation, the interaction and the underlying substitution effect reveal that a market focus could nevertheless be necessary for firm-level innovation to secure viability and innovation. Entrepreneurs who seek radical innovation may profit from their creative-oriented side regardless of how high they score on business orientation. For entrepreneurs who want to pursue incremental innovations, their high values of business orientation may also be promotional, even if they score low on creative orientation.

Since friction losses are apparent with high/high expressions, collaboration between several parties or persons could be useful. The creative and business communities could join forces to create a synergistic effect of creativity and commercialization (Overdiek, 2016). The creative actors could mainly focus on creating and implementing innovation whereby the business partners focus on business and market

development. In the long run, both partners learn from each other, build on their strengths and work out their weaknesses. The creative industries inspire other innovative entrepreneurs in knowledge-based industries, helping to create new axes of vision on problems to perceive one's environment differently (Fürstenberg, 2018). Combining also different visions and approaches from other sectors could create even more significant effects.

In this sense, the present study offers a broadened view of the creative industries as an important contributor to other sectors where a conflict of orientation exists. Dealing with supposed opposites and paradoxes is not only a matter of art and the market; other companies also face incompatibilities, such as economic and ecological considerations. An interdisciplinary approach could be a template for new and modern management structures outside the creative industries.

Further practical implications are insights for the business dimension of the management of creative industries firms: Knowledge about the tensions involved in managing innovation will provide cultural entrepreneurs with a new understanding of their role as innovative pioneers and the opportunities available in the creative industries (Strøm et al., 2020). This helps entrepreneurs understand, leverage and develop their career portfolios according to their creative selves (Sok & O'Cass, 2015). These developments also induce organizational changes for the creative industries and beyond. Rather than goals, timeframes and external rewards, which hinder creative thinking and innovation, the traditional hierarchical system of control could be replaced by self-management, peer support and intrinsic motivation.

## 8 | LIMITATION AND FURTHER RESEARCH

This study has some limitations. First, generalizing results for the creative industries risks drawing wrong implications because the creative industries are not homogenous (Kohn & Wewel, 2018). However, the creative act, extraordinary passion and the will to express oneself remain as a common denominator of all sectors. Further investigation is required if creative orientation unfolds its connection to innovation equally in all subareas of the creative economy. Even if we controlled for sectors, we recommend a stronger focus on one sector of the creative industries or a qualitative view of the multifaced and diverse actors for further research.

Second, the survivorship bias might be present in our sample (Dillman et al., 2014). Unsuccessful companies might be underrepresented since they were less motivated to participate or no longer accessible in the second survey. This circumstance was considered in the survey, which explicitly invited respondents to participate even if the company no longer existed. Further, the instruments were designed to be independent of the venture's existence or non-existence.

Third, although we see in the literature that imprinting effects caused by the personal characteristics of the founders have a long-lasting effect on the venture (Abecassis-Moedas et al., 2021), it cannot be excluded that no subsequent changes in orientation or even learning processes have occurred over 5 years, which in turn affected

innovation processes. Even if behavioural attitudes and the corresponding orientations are generally stable (Rauch & Frese, 2007), a panel study collecting the same variables over several measurement points could better uncover potential learning or change effects of the founders' characteristics. Additionally, it would be of great relevance to examine how exogenous shocks such as COVID-19 affect the orientation and subsequent innovation of actors and if there is a shift towards one of the poles of art and business. Also here, the subsectors of the culture and creative industries are affected to varying degrees by the COVID-19 pandemic: While the performing arts, film, art and music submarkets are expected to experience particularly severe slumps, the architecture, press and software/games submarkets promise to be much more resilient (BMW, 2020). This redistribution of new creative opportunities on the one hand and new economic necessities could reorder the relationship between orientation and innovation.

Fourth, our research design is not immune to a conflation between entrepreneurship in general and creative work in particular: Our findings could result from the generic attitudes of entrepreneurs founding SMEs and not from the unique characteristics of the creative industries. This is increased by the fact that we gathered our responses from the respective owner, which could be biased. In order to increase the relevance of research to practice, a cross-disciplinary and multi-respondent research design may be helpful to reach a deep understanding of the tensions and challenges. Despite a fairly balanced distribution across the creative industries' subsectors, there is a concentration in the design and advertising market in our sample. However, this corresponds to the prevailing conditions in the creative industries, as in terms of small-scale entrepreneurial ventures, the design and advertising industry represent the largest segment of the 11 creative sectors (BMW, 2020). Besides the benefits of a time-lagged approach, various micro-, macro- and meso-determinants might affect the results throughout the observed 5 years (Castañer & Campos, 2002).

Finally, the study focused on micro-determinants. Therefore, considering macro-factors is necessary for a holistic view. Due to the different mechanisms of interaction that can occur in this context, it would be useful to conduct subsequent qualitative work that shows potential patterns of the long-term influence of the founder's orientation on the innovation activities. Thus, including other theories, such as ambidexterity, could bring further insights (Overdiek, 2016). A qualitative, longitudinal research design focusing on ambidextrous perspectives to the paradox theory could follow these mentioned paths and complement the present study.

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## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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