

Characteristics of Start-Ups Created by Young People in the Creative Industries

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Abstract. *This paper aims to provide an insight into the current state of start-ups set up by young people in the creative industries in Romania. After a synthetic overview of the most important theories in the literature on start-ups especially with regard to the factors that lead to their creation, the paper will focus on the creative industries – their role in the current European economy and the situation of these industries in our country. The paper will continue with our own research, which aims to identify the characteristics of start-ups created by young people in the creative industries and consists of two parts: a) interviews with young entrepreneurs who have start-ups in the creative industries; b) interviews with master students in the terminal year, who want to open a business in the creative industries in the future. According to our research, regarding the main reasons that cause a young person to set up a startup, financial independence has been overtaken by intrinsic motivational factors such as the passion for a particular creative industry, the desire to bring an innovative concept to the market, the desire to follow and implement it. The characteristics of a successful start-up in creative industries are: the company is small, has been in the market for less than five years, brings an innovative element to the market, the quintessence of a start-up being to create new, innovative, creative, original products or services that serve the needs and interests of customers and help improving their quality of life.*

Keywords: start-ups; creative industries; young entrepreneurs; small business.

Introduction

In the last decades, entrepreneurship has seen a stunning ascension, both nationally and internationally. Due to the flourishing evolution of society as a whole, an accelerated process of globalization, the upward impact of technology and computerization, the increase of professional prospects, we are even taking part in the initiatives of young people who want to get involved in this entrepreneurial segment. They want to impose their own vision, come up with innovative ideas that will contribute to the well-being of society, have personal achievements in solving certain situations, become actively involved in the national economy.

Industries that have become attractive to young people in the last period are the cultural-creative ones, that absorb young people, by imagination, creativity, flexibility, innovation, autonomy, development of individual potential, which they involve.

Start-up – conceptual delimitations

Start-ups are organizations that implement new goods or services on the market by exploiting opportunities that appear at an optimum time, the entrepreneur being indifferent to the resources that are at his disposal at the time (Barringer & Ireland, 2016, p.40). The entrepreneur takes a wise risk of innovating in a certain field, he capitalizes the most advanced technologies or new opportunities in the market to establish social value, to create a new innovative, creative, original product or service, serving the needs and interests of buyers, which contributes at the improvement of quality of life (Bessant & Tidd, 2017, pp.11-12). A start-up illustrates a company that has been set up for a while, some definitions mention 2 to 3 years old on the market, while others mention a period of fewer than 5 years.

Among the main advantages of a start-up is the structure which it proves, a start-up is composed of a small number of employees, which is why communication between them is facilitated, excessive bureaucracy is avoided, and a low degree of formalization is preferred. There is also functional flexibility, in the sense that there are no unnecessary roles, each member of the organization knows precisely the duties he is responsible for. Internal communication is carried out at an informal level, the authority is equally distributed among the employees, the intrinsic motivation prevails, and the organizational culture is oriented towards results (Cismaru, 2013, p.20). Being composed of a small group of people who come up with a new, innovative vs. original idea, they are united by the feeling that they are able and they will succeed to change the world around them. The most solid strength of a start-up is innovative thinking. At the external level, the core advantages of a start-up include the degree of adaptability of products and services: these can be tested and, as a result of these assessments, feedback from consumers can be used to improve their quality (Thiel & Masters, 2015, pp.16, 20-21). A start-up can bring advantages even to the owner by the fact that he can reach his maximum potential; the skills and knowledge, which he has acquired in a particular field, can be put into practice, to contribute to the welfare of a community; more, the assimilation of a degree of autonomy, authority, social status is also important.

However, a start-up can also present many disadvantages, such as the lack of an initial amount needed to start the business, low skills in the business, limited contacts on the market, the start-up is not known by a wide range of clients or of potential investors (Grigore, 2012, pp.53-54).

Creative industries – economic and social role

Currently, creative industries can be defined as a cycle of creation, production, and distribution of goods or services that use creative and intellectual inspiration. Both tangible and intangible, creative goods are produced. Creative industries range from “traditional arts and crafts, publishing, music, visual arts and entertainment to intensive technology activities, service-oriented groups such as film, television, broadcasting, new media and design” (UNCTAD, 2008, p.13). Cultural industries consist of a set of cultural practices, activities or products centered on artistic expressions, the following areas are considered to belong to the cultural industries: cultural heritage, archives and libraries, books and the press, visual arts, performing arts, audiovisual and multimedia, architecture, advertising, crafts and handicrafts (European Commission, 2012, p.55).

Nowadays, Europe is the leader in revenue from creative industries and holds the highest percentage of jobs (50%) in the advertising industry. Almost 80% of firms in the cultural-creative sector are micro, small and medium-sized enterprises, of which almost 60% are micro-enterprises with an effective number of one to three employees (HKU, 2010, p.18). At present, in Europe, the creative-cultural sectors employ on average more young people aged 15-29 as compared to any other sector (E&Y, 2015, p.8). The cultural and creative sectors are attractive to young people, opened to them and absorb their interest easily.

In 2012, the creative cultural sector has generated 5,1% of GDP at the European level. In Romania, this sector represents a share of 5,7% of total gross value added at the economy level, while in the European Union it reached only 5,1% (Cojanu, 2016, pp.24-25). Between 2011 and 2015, in our country, the number of employees in the cultural-creative industries has increased considerably, thus in 2015, it exceeds the number of 200.000 people (Dărășteanu, 2016, pp.40-41).

A research carried out recently, on a group composed of Romanian entrepreneurs in the field of cultural-creative industries, showed that the primordial motivation behind their decision to set up their own company was the personal need for autonomy, exaggerated creativity and unlimited passion for a certain sphere of activity. Initial capital came from its own savings from wages from the previous job, bank credits, reinvested profits. Among the impediments were bureaucracy, tax duties, changing legislation, poor training of the labor force. The subjects agreed that the indisputable features an entrepreneur should possess are tenacity, creativity, ability to be their own teacher (Leovaridis & Popescu, 2017, pp.196-197).

Characteristics of start-ups in the creative industries. Applicative dimension

Research methodology

The overall objective of this paper is to identify the characteristics of start-ups created by young people in the creative industries. The qualitative research we have undertaken will have two complementary parts: the first will be qualitative research based on interviews conducted through a semi-structured interview guide applied to a group of 13 young entrepreneurs aged between 20 and 35, from urban areas, who have start-ups in the creative industries. All respondents are founders or co-founders of start-ups in different sectors of activity: T.L. (founder S1, advertising), A.R. (co-founder S2, aeromodelling), I.M. (founder S3, advertising), M.M. (co-founder S4, photo-video), R.G. (co-founder S5, event organization), E.F. (co-founder S6, advertising design), A.C. (co-founder S7, web design, and digital creation), I. F. (founder S8, event organization), A.I. (founder S9, web design, branding, marketing, SEO, photo-video), M.P.(co-founder S10, mobile applications), C.P. (co-founder S11, mobile applications for traveling), R.S. (co-founder S12, interior design), O.S. (founder S13, real estate brokerage). The specific objectives for this research are to: identify the reasons that led to establishing the start-up, identify the advantages and disadvantages of setting up a start-up, the funding forms used, the obstacles that young entrepreneurs have encountered.

The second research was also conducted through a semi-structured interview guide applied to a group of 12 young people who do not want to become employed in the future but want to move *across the barricade* to become entrepreneurs. We discussed with 12 students in the terminal year at the master programs of the Faculty of Communication and Public Relations within SNSPA Bucharest: 6 respondents are students at the Advertising Master (MPR) and 6 respondents are students at the Social Media and Online Marketing Master (MSMMO). The specific objectives for this research are: identifying how studies form entrepreneurial or sector-specific competencies, identifying the causes that lead young people to want to set up a start-up.

Each interview realized with young start-up entrepreneurs lasted about 60 minutes and those with young people wishing to open a future business in the creative industries sector for about 30 to 45 minutes. The interview period was April - May 2018.

Research results

The analysis of data obtained through interviews with young entrepreneurs who have start-ups in the creative industries

From those we interviewed, the oldest start-up was set up in 2013 and the youngest was set up in 2018. Six of the start-ups are owned by a single entrepreneur and the remaining 7 are coordinated in partnership, the number of associates varies from two to four active shareholders. A similar situation occurs with the number of employees that fluctuate, four of the start-ups are owned in partnership and have no employees at present, and for the other companies, the number of employees varies from two employees, respectively three to 25 people. Unanimously, the factor that young entrepreneurs mentioned as influencing the choice of the sector of activity for which they opted was the passion for that branch. Among the features of the creative industries mentioned by the respondents are creativity, dynamism, non-conformism, innovation, freedom, unpredictability.

Among the motivations behind the decision to launch a start-up, among young people who participated in this research, are: exacerbated passion for a particular industry, the desire to bring a new, innovative concept to the market, desire to follow his own vision, autonomy offered by this profession, financial independence, contribution to the welfare of the society, desire to achieve something that counts for the

population, offering a solution to a real need of the others: "the vision to change the way in which are built the plane models today (unsustainable) and the desire to do something revolutionary" (A.R., 28 years, plane modeling); "the desire to deliver high-quality photo services on the Cluj market, to come up with a new concept on the market, to be independent in this field and to follow my own vision" (M.M., 28, photo-video); "We started from a holiday in Rome, identifying the need was the first that came in our way, and the need and the solution, we had a need that we were not aware of, we found a solution and then we said what it would be like if we could do this for others" (C.P., 30, mobile applications for travels).

Four of the respondents go further with entrepreneurship as a family tradition: parents are the ones who have a business and they are the ones from which they have received lessons and advice: "Without realizing it, it's a family tradition. Though my parents were constantly exposed to the risk, they have always advised me to look for a stable job, they are now convinced that a stable job only buys me a box of water and the rent per month and this fact motivated me" (E. F., 24, advertising design). Two of the respondents claimed that they are inspired by personalities with reputation in their area of activity, but also from their own partners with which they decided to develop the business, from which they departed useful information, and with which they share principles, values, common goals: "Yes, I have a mentor and he is my friend and start-up partner and I am pursuing other great world-class entrepreneurs. I am referring here to Elon Musk, Tony Robins, Robin Sharma, Simon Sinek, Bob Proctor, Les Brown, clips with Steve Jobs" (A.R., 28, plane modeling).

With regard to the sources of funding to which they have recourse, the predominant source is personal savings, Start-Up Nation program, European non-reimbursable funds, sources of income from the business partner, the loan from friends, crowdfunding campaign that launches the product on the market and it is being tested, whether it is successful and if it attracts an investor: "We did a crowdfunding campaign, although the result was not so much funding, but rather exposure, promotion, and awareness" (A.R., 28, plane modeling); "from our pocket, the handiest solution. We have started making projects to bring us money, from Bitdefender and Samsung, which were the first paid projects. We have 20 000 euro from Tel Aviv and we will also be following an investment from a private investor soon" (C.P., 30, mobile applications for travel). The best-known entrepreneurship support program for young people mentioned by the respondents was the Start-Up Nation.

Analyzing the answers to the question "What do you think are the advantages of building a start-up, but the disadvantages?", we identified as key strengths: freedom to materialize their own vision, independence, decision-making power, financial reward, the ability to implement one's own idea, work on own project, accelerated learning in several branches through experiencing different situations, professional satisfaction when the project is successful, you can organize your time alone, a high degree of autonomy, the status that the entrepreneur offers: "The people around you become a responsibility because they have to drive. It's the incomparable satisfaction if you found something if you started from scratch, it's a new species of something, and the fact that you can get that kind of thing, become a provider of something of value to other people who are willing to pay for what you did is magic, it's a very strong feeling. You are a rock star as an entrepreneur, as children wanted to become firefighters and policemen, now they want to become entrepreneurs" (M.P., 30 years, mobile applications). The most vulnerable weaknesses are lack of trained, qualified human resources, investing all the resources held with the risk of the business failing, enormous responsibility towards customers, employees, uncertainty of profit, market novelty, element by which the start-up is not visible in the eyes of many customers, the fierce competition: "there are disadvantages, risks, lack of a customer database, competition, lack of qualified personnel to carry out the necessary tasks, but I think they exist in any company at the moment and that it should not be an element that discourages a young person" (I.M., 24, advertising).

By analyzing the answers to the question "What are the obstacles you have encountered throughout this professional journey?", we noticed that obstacles came from the external environment, such as unprepared human resources, bureaucracy, lack of funds, money flow problems, problematic customers or lack of them at the incipient stage, legislation in force, tax optimization, employee evaluation, communication clarity, mentality of others: "the main obstacle is the mentality of others and maybe some gender and age stereotypes. It is really harder to start as a woman, and then as a very young woman, because they associate your physical image with the stereotypical mental picture, if beautiful is not smart if she is small does not have experience, and so on, but at some point, you really enjoy this attitude because that means self-selection of customers and only those who see your work come and remain, and not these stereotypes" (E.F., 24, advertising design); "the obstacles were related in particular to the bureaucracy in Romania and

to the skepticism of the video clients in Cluj-Napoca. Also, juggling with various roles in the business, which can become very tiring" (M.M., 28, photo-video).

Referring to the question "Do you think that the Romanian business environment supports the development of a start-up?", the opinions are divided, some of the entrepreneurs have stated that the business environment does not encourage the development of a start-up, because of lack of the investment and because of mentalities that don't support entrepreneurship: "Romania's business environment is not very encouraged, so the evolution of a start-up is clearly influenced by this. It is hard to develop a start-up in Romania, due to few investments, unusual mentality regarding entrepreneurship" (M.M., 28, photo-video); while other entrepreneurs were of the opinion that the business environment is encouraging: "private environment, yes. There are many groups and circles of entrepreneurs, numerous networking, training, pitching, assistance meetings; are very helpful and you feel welcome no matter how beginner or advanced you are" (E.F., 24, advertising design).

The analysis of data obtained through interviews with young people who want to open a business in creative industries in the future

Regarding the question, "After graduating, would you like to become an employee or entrepreneur? Why?", the study participants unanimously declared that they want to become entrepreneurs, 9 of the individuals are already employed, but want to change their professional career in the future: "I am currently employed, but at some point, after gaining more experience in the field in which I work, I intend to become an entrepreneur. Why? Probably from the desire to do things as I think and because I wish that through my work I could achieve something remarkable by my own forces" (R.G., 23, MPR). 3 of the respondents are not currently employed, but one of them wants to obtain experience on the market as an employee after finishing their studies, and when he has the necessary skills the workplace, to be able to take up the reins of a business: "I want to become an employee initially because I think it is appropriate first to learn from those who are already entrepreneurs and to start from a simple employee, then to become an entrepreneur with experience" (M.N., 23, MSMMO). 2 of the respondents who are already employed have stated that they want to become entrepreneurs, but to combine this activity with the one they already own in the current job in order to obtain material benefits: "both. I think it is good to always have two different sources of income" (S.T., 23, MSMMO).

Referring to the question "In what field would you like to activate the business you want to build in the future? What are the reasons for wanting to set up a business in this sector?", 4 of the individuals want to focus on the fashion area, 3 of the participants want to focus on advertising, 2 of the respondents want to open a start-up in the organizing events area, one of them wants to start their own business in the musical instruments segment, namely the electric guitars, among the other respondents we have found: creative education, book market – old or rare books. Most respondents want to opt for these subsectors because they are creative people, whose imagination overflows, this is booming areas, and some of them either have experience in these branches, gained in the workplace or have the necessary knowledge through studies which they followed: "in the creative field. It's about a business with a social part, the knitting clothes by people who do not have a very high income or have no income at all. Determination comes from the freedom I was talking about earlier, but I also want to be able to help other people who need a job. I want to set up a business in the creative sector, because I found myself as a creative person, and I think it would be a challenge for me to work in this sector" (R.S., 24, MPR).

As far as concerning the question "Do you consider that the studies you have followed have formed your business management skills? But skills in the work that you want to pursue in future business?", 5 of the respondents thought that the studies they had followed formed business skills: "I believe that the studies followed formed my business management skills because I attended entrepreneurship courses at college, and within the master, I gained skills for the field in which I want to develop my business in the future (the experience gained at the workplace also greatly contributes to)" (R.G., 23, MPR); 8 respondents believe the studies help them in the field of activity for which they want to opt in the future when they start a business or help them on the business promotion side: "yes, the undergraduate studies in Psychology and the Master in Advertising gives me the opportunity to know the market from a social and professional perspective. I have information about people, from people, and I work with people. As far as the future business is concerned, I think of a limited target, and in this regard, I learned a lot about how to effectively communicate with a unique market from my teachers" (A.G., 23, MPR); and 4 of them consider that the university has helped them in a fairly low percentage, with significant input being brought by workplace

experience, networking or the ability to be self-taught: “yes, a proportion of 40%. The rest I learned from the work I have done in the agencies I’ve been to. But because of the studies I had a base in advertising, I know terms and other things related to the development of campaigns, but also social media and marketing concepts, which I am studying in the present” (A.N., 23, MSMMO).

Focusing on the need for an earlier experience, 3 of the subjects surveyed said that the experience would not symbolize a considerable advantage, but the passion for the field, the good intuition of the market trends, the needs, and desires of the consumers, the ability to be self-taught and also to learn from others, the general culture, the knowledge acquired from the university's banks prevail: “it is not necessary to have experience. Maybe you have a vision. You can anticipate market movements and identify trends to exploit. I was hired. I worked in the press as editor-in-chief/deputy editor-in-chief. I worked in an advertising agency (McCann) as Account Executive, and I am currently a copywriter in another advertising agency (MDC People-Centric)” (R.S., 24, MPR). The rest of the subjects, 9 of them, consider that the experience is vital, the applied theory is the one that forms an individual, only by means of practice a person can easily learn some concepts, processes, phenomena, practice is the most feasible method of learning, consolidating and creating campaigns, activities: “Somewhat yes. The market must be known as the palm. I worked as a social media manager for a person selling online products, this was the closest experience of opening an online store. I also worked copywriter at an advertising agency, and content writer for a digital coin, which gives me some confidence when it comes to writing, I would mainly oversee creative direction and content for the online store” (E.C., 23, MPR).

The motivations that are the starting point for the desire to create their own business are the desire to do things in their own way, to create a brand, to impose their own ideas, freedom to be their own boss, flexibility of the program and the possibility of organizing the program at its own discretion, financial and decision-making freedom, the passion for a particular branch, desire to do things in its own way and to contribute to the welfare of other members of society, to be known and appreciated by those around: “I feel that I have something good to offer to all by what I do; I want to work for myself and not for someone else; I want to become like a brand; I want to be known by everyone” (A.U., 24 years, MSMMO); “the idea of creating, exploiting a poorly developed field in our country. Also, the freedom to be your own boss, with all the implications, freedoms and obligations” (A.G., 23, MPR).

Conclusions

The motivations that were the engine of the decision to open a start-up, for young people who have participated in this research, include passion for a particular industry, the desire to bring a new, innovative concept to the market, the desire to follow their own vision, the autonomy offered by this job, financial independence, contribution to the well-being of society, the desire to achieve something that counts for the population, which offers a solution to a real need of those around. Regarding the identification of the causes that led to the choice of a creative sector, unanimously, the cause that the young entrepreneurs mentioned for their desire for this sector of activity for which they opted were the passion for that branch.

In identifying the advantages and disadvantages of setting up a start-up, the main strengths include: the freedom of materializing your own vision, independence, decision-making power, financial reward, the ability to implement your own idea, work on your own project, learning accelerated in several branches by experimenting different situations, professional satisfaction when the project is successful, you can organize your time alone, a high degree of autonomy, the status that the entrepreneur offers; and the most vulnerable weaknesses are represented by lack of trained, qualified human resources, investing all the resources held with the risk of the business failing, enormous responsibility towards customers, employees, uncertainty of profit, market novelty, which is not visible in the eyes of many customers, fierce competition. With regard to the forms of funding used, the predominant sources are personal savings, followed by the StartUp Nation program, European non-reimbursable funds, sources of income from the business partner, loan from friends, crowdfunding campaign. The obstacles came from the external environment and were not the entrepreneur's own limitations, such unprepared human resources, bureaucracy, lack of funds, cash flow problems, problematic clients or lack of them at the incipient stage, legislation in force, excessive taxation, employee evaluation, communication clarity, the mentality of the others.

As regards the interviews with young people that wish to open a business in the future, a third of the respondents thought that the studies they had it has formed competencies in the sphere of business management, a half of respondents believe that studies help them in the field of activity they will want to choose in the future when they start a business or help them on the business promotion side, another third of them think that college helped them in a fairly low percentage, with significant input being gained from workplace experience, networking or the ability to be self-taught.

Regarding the characteristics of a start-up, we discovered through our research that they are similar to those listed by various theorists, namely communication is direct and less ritualized, decisions are taken by consensus, the company is small, it has been on the market for less than 5 years, brings an innovative element to the market, the quintessence of a start-up is to create new, innovative, creative, original products or services that serve the needs and interests of customers and contribute to the improvement of their quality of life; among the most important features of the creative industry mentioned by respondents to the study we have conducted are creativity, dynamism, non-conformism, innovation, freedom, unpredictability.

In conclusion, we believe that this research initiates new studies to build on a much larger group of participants, which will complement the current results.

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