

Creativity and Competitiveness

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Abstract

The central idea of this paper is that creativity is now the decisive source of competitive advantage. This concept is intertwined with corporate strategy development by which businesses recognise the competitive advantage over time. We discuss the ideas and applications of “The Rise of the Creative Class” (Florida 2002). As he heavily elaborates the concepts in the context of the United States, we try to make comparison between the U.S. and some less developed nations to observe the applicability of his argument worldwide. Creative capital theory explains the underlying factor of people’s choosing a location, labelled as 3T’s (tolerance, talent, and technology). We provide rational arguments as to why a city cannot become a creative centre. It is likely that there are hindrances taking opposite positions of 3T’s; we label them 3C’s, those are: (1) complacency, (2) commonsense, and (3) culture.

Keywords: creativity, competitiveness, creative capital theory.

Introduction

When people hear of the word “creativity”, they usually and unwittingly position the word to connote something spectacular, such as the invention of new technology, the finding of phenomenal ideas, and so on. Accordingly, it is mostly considered a “lavish concept” (Junarsin 2005) that can be possessed and done only by extremely clever people and yields significant and lucrative inspiration and outputs. In fact, naturally-clever people are not necessarily creative, vice versa; creativity may prevail even in simple activities. Creativity is actually not a new concept. It has been used in management, in both practical and academic realms. During the last decade, we have read about creative thinking, creative destruction, and creative tension in business magazines and journals.

Creativity can be defined as the ability to create meaningful new forms (Florida 2002). As creativity is basically derived from the verb “to create”, Florida actually wants to emphasise that an entity (either person or organisation) can be said creative if the entity has conducted

activities or processes beyond currently accepted standard. Subsequently, the activities will result in yielding new product architecture and technological design. This understanding may lead to confusion about what differentiates creativity and innovation. Florida himself suggests that "...creativity is as important as innovation in other industries..." Grant (2005) defines innovation as invention that has economic value or is readily commercialised. Predicated on this concept, it seems that what Florida means by "creativity" lies at the root of "invention" defined by Grant. Accordingly, the innovation is dependent on creativity, meaning that it is creativity that underpins the process of inventing new standards or products, and the invention is then commercialised to harness the benefit of innovation. Hence, we may conclude that creativity is the mental power to dream of something unthinkable by current standard, and brings about the dream to yield a new standard. Hightower (2003) writes about creativity in relation to management and suggests that creativity is currently the heart of business, not just a tool or technique to increase productivity.

In this paper, we discuss the ideas and applications of Florida's (2002) "The Rise of the Creative Class". As he heavily elaborates the concepts in the context of the United States, we try to make comparison between the U.S. and some less developed nations to observe the applicability of his argument worldwide. This study is organised in five sections. The first section talks about the summary of creativity concepts. We then discuss the creative class and its implication in the second section. Subsequently, the third section describes creative centre as the attractor of creative people. The fourth part provides the discussion on the 3T's (talent, tolerance, and technology) proposed as the salient factors needed by a creative centre. Eventually, the antitheses of 3T's are discussed in the fifth section.

Creativity Concepts

The central idea here is that creativity is now the decisive source of competitive advantage. This concept is intertwined with corporate strategy development by which businesses recognise the competitive advantage over time. When the industrial revolution started, the view on strategy lay in how a company chose the most profitable industry, called industry-based strategy. Several decades later, resource-based view of the firm took place since people considered material, technological, and human resources as the key element to be viable. The resource-based strategy still holds, but with creativity as the root. In other words, creative people are the most precious resource to gain an edge in the competitive environment.

Florida (2002) tries to convince readers that the new economy and economic development are driven by the creative class. Technological and economic creativity are nurtured by artistic and cultural creativity. Subsequently, the economy is believed to move from company-centred systems to more people-driven mechanism. The creative people are somewhat footloose and move to places that provide them “thick labour market” with abundant opportunities and amenities. Besides, the creative class is the norm-setting class, defining their own identities rather than identifying themselves with certain organisations, neighbourhood, or even families. Accordingly, the creative people put emphasis on certain lifestyles distinct from other classes, such as: individuality, diversity, authenticity, identity, casual instead of intimate social interaction, and self-defining.

Subsequently, geographic location does matter. Geographic centre of gravity shifts from traditional industrial regions to new axes of creativity. These places (called “creative centres”) offer attractions for the creative class on account of various economic opportunities, stimulating working environment, and amenities for their lifestyle. In other words, the creative centre enables the creative class to reflect and reinforce their identity as creative people, pursue working achievements that they choose, and have access to their lifestyle amenities. He label this idea “the power of place”, indicating that economic growth and development will boost up if the creative people are put in the creative centre. In order to achieve quantum leaps in innovation and economic growth, a region has to provide 3T’s: (1) technology, (2) talent, and (3) tolerance. Hence, the 3T’s are key requirements for a city to be a creative centre that may attract the creative class to live in. The building of creative community embarks on from the offer of technology, talent, and tolerance in the creative centre, the centre then attracts the creative people to come and live in, and eventually the combination of creative class and creative centre spurs the economic growth in the region.

Following Florida (2002), the idea of “romanticising the future, glorifying the past” also plays a role in the view of technology. The first view argues that technology is the panacea of social and economic ills (romanticising the future) whereas the second view sees technology as the main contributor to people’s unhappiness, too hard a work, loss of social relationship (glorifying the past). It is not the technology per se that should be questioned in judging the two perspectives. Instead, the real question is why people choose to live and work in such a

way. The answer seems to be the changing social norms, especially due to the rising number of the creative class.

Creative Class

According to Florida (2002), a class is a group of people who have common interests and tend to think, feel, and behave similarly whereby these similarities are determined by economic function. He categorises the whole population into four main classes, depicted in Figure 1.

Figure 1 Class Division and Types of Works in the United States

Creative Class		Working Class	Service Class	Agriculture
Super-creative Core	Creative Professionals			
Computer and mathematical occupations	Management occupations	Construction and extraction occupations	Health care support occupations	Farming
Architecture and engineering occupations	Business and financial operations occupations	Installation, maintenance, and repair occupations	Food-service-related occupations	Fishing
Life, physical, and social science occupations	Legal occupations	Production occupations	Building and grounds cleaning occupations	Forestry
Education, training, and library occupations	Healthcare practitioners and technical occupations	Transportation and material moving occupations	Personal care and service occupations	
Arts, design, entertainment, sports, and media occupations	High-end sales and sales management		Low-end sales and related occupations	
Proportion of 12%	18%	25%	43%	2%
Average salary of USD48,752		USD27,799	USD22,059	USD18,000

Source: Florida, R. 2002. *The rise of the creative class: and how it's transforming work, leisure, community, and everyday life*. Melbourne: Pluto Press Australia.

The basis of the creative class is economic, accordingly they add economic value through their creativity. When creativity becomes more valued, the creative class will grow. In the U.S., there is a tendency that working and service classes are moving towards the creative class.

There are some caveats related to the classification. First, the categorisation seems to show that there are fixed and totally separated clusters where creative class stands at higher level vis-à-vis the working class and the service class. In reality, all people yearn to join the creative class, and Florida (2002) himself is convinced that the movement of all classes towards creative class prevails. Imagine if all people become the member of creative class, who will do the jobs usually conducted by other classes? The answer probably is: The creative class has to do them simultaneously. At that time, the classification will be blurred. Second, the figure implies that people in other classes cannot perform creative activities. Florida (2002) then makes this issue more contradictory to his own categorisation by stating that actually all classes are required to be more creative and assume higher authority in their jobs. In fact, all occupations require higher degree of creativity in the knowledge era. Hence, it is confusing whether creativity is soft skill owned by everyone or it should be a class category in which only people in the class possess it. Third, it seems that people choose in which class they desire to work, meaning that some people deliberately work in non-creative class. It may be true in developed countries where finding a job is relatively easy as the economy develops substantially and the government strongly supports employment creation. However, in less developed countries, people tend to get jobs available at the time. If they acquire creative jobs, it will be excellent opportunities; if they are hired by service class, they have no choice but to accept to job.

The creative class is said to be inclined to value individuality, intrinsic rewards, and diversity (in Yin 2003). Regarding individuality, it is probably not applicable in all nations. Hofstede (1983) conducts research on cross-cultural management, and one of the findings is that there are some countries that value individualism more than collectivism, vice versa. Hence, in countries such as Japan or less developed country like Indonesia, collectivism is still the social norm. In fact, although included in more collectivistic country, Japan takes the second place in global creativity index (Florida 2004) and is the second largest economy (GDP) in the world. Subsequently, related to the intrinsic rewards, we should consider the motivation theory. Maslow's motivation theory, for instance, postulates that people have to be satisfied with lower level of motivating factors before being motivated by the higher level needs. There are five hierarchical levels of needs according to Maslow: (1) basic needs, (2) safety needs, (3) social needs, (4) self-esteem, and (5) self-actualisation. Accordingly, in order to motivate people by intrinsic rewards, such as self-esteem and self-actualisation, those people must have been satisfied with extrinsic rewards, such as money or safety needs. In the U.S.

where basic needs and income are no longer a problematic issue, it is reasonable to suggest that the creative people enjoy their occupations and put less emphasis on money. However, in less wealthy country such as Indonesia or Vietnam, for instance, even people categorised as creative class (university professors, architects, engineers, etc.) still prioritise extrinsic rewards such as money since they need those rewards to survive and grow. Finally, diversity is too subjective a concept to define. Some nations value diversity in religions, others value diversity in sexual orientation, and the others value diversity in races. Everyone hopes that diversity in all fields prevail in all countries in the world. However, we must be realistic to see that even in the most developed nation such as the U.S., race discrimination is still an issue sometimes although overall diversity is highly respected there. Meanwhile, Indonesia, for example, values diversity in religions more than it does in sexual orientation.

Lang (2005) finds a similar pattern between Florida (2002) and Mills' research in 1951. Mills describes the rise of a new class at that time which initiated the shift from manufacturing- to service-based economy. Similarly, Florida (2002) theorises the shift of people from working and service classes to a new class that he labels the creative class. Furthermore, both authors have an ideal white-collar job incumbent. For Mills, they are typical middle managers of Wall Street whereas in Florida's opinion, software engineers at Silicon Valley frequently epitomises the creative class. However, Florida's concept contains image-and-reality gap (Lang 2005). The creative people described by Florida are definitely sophisticated, highly educated, and work in high-class business and environment; however, they are supposed to like many things that the other classes do, such as wear sandals at the workplace, use Hawaiian shirt, live in the exurbs, or eat in Fuddruckers. Moreover, creative people are identified with bohemians. For instance, wearing earrings for men, visiting nightclub, having gay lifestyle, etc. are believed to be the earmarks of creative people. Weymes (2005) suggests that creativity is encouraged when people have an opportunity to express their individual freedom. Besides, Lapierre (2005) substantiates Waymes (2005), insisting that creativity and management do need "refusal" of theories, models, and doctrines. It is true that the creative people like freedom, but the freedom per se means that creative people prefer to actualise themselves and do activities they like. The point is that some creative people may like wearing business suits, some like to dine in a hotel rather than in bars or café. In other words, creative people do not necessarily become bohemians in terms of lifestyle, such as gays, nightclub regular visitors, etc. They must be really free from small things since they concentrate on bigger things such as achievements and satisfaction. This idea is substantiated

by Weymes (2005) who reveals that when behaviour is controlled, personal freedom and the ability to be creative are hindered. Whatever they are wearing, either Hawaiian shirt or business suits, does not matter at all. Neither does sex orientation, either heterosexual or homosexual. Conclusively, it is less appropriate to say that the creative people must wear sandals, ride bicycle, be gays, etc.

Nevertheless, Florida (2002) is true that all countries, however wealthy or poor they are, are shifting from working and service classes to creative class. What differs is the speed of movement whereby it is substantially faster in developed countries than it is in less developed nations. Besides, the argument that individuality, intrinsic rewards, and diversity are more valued now and in the future is also reasonable. Even in collectivistic countries, such as Indonesia or China, the individualism is becoming more apparent and diversity in many respects has been appreciated more as well. Meanwhile, as the wealth of a nation improves, the desire for intrinsic rewards increases too.

Creative Centre

The new economy operates in a “space” rather than a place. However, a place does matter significantly as the reality shows that people and economy remain highly concentrated in several regions and nations. It is said that place facilitates the matching of creative people to economic opportunities. Accordingly, it offers a labour pool for companies that require people, and a thick labour market for people who require jobs. Place has become the central organising unit of economy and society, the role that used to be undertaken by large corporations. Conclusions from the “creative capital theory” are summarised as follows:

1. The creative class is shifting from traditional corporate communities to creative centres,
2. The creative centres are inclined to be economic winners of this age,
3. The creative centres are not thriving for traditional economic reasons; they succeed since creative people want to live there,
4. Creative people do not move to creative centres subsequent to traditional reasons such as physical attractions; instead, those people look for abundant high-quality amenities and lifestyle, social interaction in less formal venues, openness to diversity, authenticity and uniqueness, and identity of the centre to validate themselves as creative people.

The creative capital theory is very clear and excellently proposed. It shows that every place has certain lifestyles, and only a place that provides creative lifestyles and amenities may attract the creative people to stay. That is why it is not physical attractions, such as stadiums and convention centres, that a place has to build in order to attract creative people's interests, but the place has to establish infrastructure that educated and creative people value (Sawicki 2003). It seems that this theory is built on another theory named human capital theory (Glaeser 2003). The human capital theory postulates that human intelligence tends to cluster in places where industry draws them. Glaeser (2005) also argues that human capital can predict urban success since high skilled people in high skilled industries may yield more newly excellent ideas. Florida (2002) completes this argument by revealing that large companies have powerfully mobile capabilities but they choose to cluster in certain places; the rationale is they are looking for creative people whilst the creative people want to live in creative centres.

Florida (2002) realises that there is confusion about which comes first, creative people attracts industry or creative people follow industry in the creative centre. However, he does not answer clearly; the question is considered chicken-and-egg question. Nevertheless, Florida (2004) answers in other research, mentioning that people choose a location first based on the quality of place, and then look for jobs there.

Either realised or not, Florida's (2002) creative centres consist of large states, such as New York and Los Angeles. However, Florida does not elaborate the actual mechanism for a creative centre to make people creative. Fischer (in Lang 2005) finds that "the larger and the denser a city, the more intense and varies its subculture will be". For instance, two Indonesians are to move from Yogyakarta. One decides to live in Melbourne whilst the other stays in Albury. The first person will find that Melbourne is sufficiently large that she may sustain an Indonesian subculture there. On the other hand, the second person will find it difficult to find Indonesian in Albury, thereby assimilating Australian culture in his lifestyle is the only choice. Subsequently, subcultures are believed to be the trailblazers of new ideas, either large artistic (positive side) or criminal (negative side). Hence, large cities tend to have higher creative index since they comprise various subcultures.

Technology, Talent, and Tolerance

Several theories try to explain key factors that influence regional growth, shown in the following figure.

Figure 2 Sources of Regional Growth According to Several Theories

Theory	Source of Regional Growth
Conventional firm-driven view	Companies and clusters of industries
Social capital theory	Social cohesion, trust, and community connectedness
Human capital theory	Concentrations of educated people
Creative capital theory	Creative people

Adapted from: Florida, R. 2002. *The rise of the creative class: and how it's transforming work, leisure, community, and everyday life*. Melbourne: Pluto Press Australia.

Florida (2002) strongly argues that the creative capital theory can explain the regional growth better. The growth is driven by creative people, who choose places that are open to diversity. Subsequently, more diverse concentrations of creative capital will boost up innovation, high-tech business, employment, and eventually economic growth. We can label those factors 3T's (tolerance, talent, and technology). Losing one of these elements will lead to less attractiveness of a city to creative people.

Tolerance

A statement of Zachary is quoted by Florida (2002), saying that America's successful economic performance is intertwined with the openness to creative people worldwide. The relationship between Melting Pot Index (immigration) and high-tech industry is then examined, finding that immigration is related to high-tech industry. Subsequently, he utilises Gay Index as the proxy for openness to diversity. We do not agree partly with the use of Gay Index. Statistically, it does not matter that Gay Index is used as a proxy for diversity. However, it may conceptually be less appropriate. Tolerance per se means providing people with freedom to do jobs and make businesses without considering races, ethnics, religions, or sexual orientation. As discussed in the previous section, openness to diversity may take different forms in different regions. Subsequently, Florida (2004) finds an association between Coolness Index (nightlife) and city's ability to attract talented people and high-tech industries. Eventually, he concludes that Bohemian Index (number of writers, designers,

musicians, and other artists) is a strong predictor of many facts, from high-tech base to overall population and employment growth.

Glaeser (2005) run the regression between population growth (dependent variable) and the following variables as independent variables:

Figure 3 Regression Analysis Conducted by Glaeser (2005)

Dependent Variable	Result	
Percent of adults with bachelor degree	Positive	Statistically significant
Super creative core employment share	Negative	Statistically insignificant
Patents per capita in 1990	Negative	Statistically insignificant
Gay Index	Negative	Statistically insignificant
Bohemian Index	Positive	Statistically insignificant

Source: Glaeser, E. L. 2005. Review on Richard Florida's The Rise of the Creative Class.

The results, however, imply that the only significant factor in influencing the success of a city is human capital (the proxy is percent of adults with bachelor degree). This finding seems to support human capital theory.

Technology and Talent

If tolerance prevails in a city, the city has a higher opportunity to become a creative centre. The rationale behind this is apparent: a tolerant place will highly attract excellent talents, and those brilliant people will bring about and boost up technology. Talent is represented by the relative concentration of the creative class and Talent Index (the percentage of bachelor holders). Meanwhile, the proxies for technology are Innovation Index (patents granted per capita) and High-tech Index. Innovation and high-tech industry is found to be correlated with the locations of creative class and of talent.

Again, we must be cautious in drawing a conclusion. We agree that tolerance will lead talents to come to the creative centre, and the talents finally develop technological advancement. However, the tolerance itself does not require that creative people behave in certain ways or conduct particular behaviour. For instance, we do not necessarily become bohemian for being creative, or become a gay to be in the creative class. The philosophy behind tolerance is

basically to give people as much independence as possible in completing activities without any restrictions, as long as the activities do not offend other people's rights.

3C's

An obvious answer have been discussed regarding the question: Why can a city become a creative centre? The answer is because it has 3T's. However, he has not extended his research into finding the answer of why a city cannot be a creative centre. In this paper, we do not make any statistical analysis, but we only provide rational arguments about the issue. It is likely that there are hindrances taking opposite positions of 3T's; we label them 3C's, those are: (1) complacency, (2) commonsense, and (3) culture.

We must realise that being creative does not necessarily drive to personal happiness. In some communities, people are more than happy to have working-class jobs (even agricultural occupations), happy family life, peaceful and steady environment, thereby caring less of technology development. The antithesis of technology is labelled "Complacency". Society that has this tendency will put less emphasis on technology or even creativity as people are sufficiently satisfied with current state of life.

Subsequently, some communities, especially in less developed countries, believe that knowledge can be acquired without attending formal education. It prevails primarily in Asian setting where family entrepreneurial spirit is so huge that formal education is deemed less relevant to succeed in the real life. They argue that rich people in the past and at the moment are usually less formally educated; instead, those rich people have learnt from experiences and other people. This perspective seems to be inappropriate in current era, but in fact it is still prevalent in some societies. We name this obstacle "Commonsense".

Eventually, tolerance may be difficult to promote on account of "Culture" (culture here also refers to religion or belief, subculture, and social norms). In some cultures, people are highly inward-looking, indicating that they get difficulties in accepting behaviours considered appropriate in other cultures, or even find it problematic to accept the presence of people from "another world".

Figure 4 Comparison between 3T's and 3C's

Thesis	Antithesis
Technology	Complacency
Talent	Commonsense
Tolerance	Culture

Conclusion

Numerous concepts on creativity have been successful in convincing business practitioners, policy makers, and academics of the role that creative class and creative centres play in enhancing economic development. As a sufficiently controversial and provoking literature, Florida (2002) is faced with some criticisms. The similar situation prevailed when Kaplan and Norton proposed the idea of “Balanced Scorecard” in 1992 when people were doubtful about the applicability of the concept. The reality shows that almost all large companies are using balanced scorecard now. Creative capital theory may face similar pattern of adoption. However, this model does contain several caveats. The most obvious one is data gathering approach. Too much generalisation based on too few samples is used. Besides, the creative centres are sometimes established by no one. Rather than deliberately created by the government or businesses; it has existed by nature to be creative. We provide rational arguments as to why a city cannot become a creative centre. It is likely that there are hindrances taking opposite positions of 3T's; we label them 3C's, those are: (1) complacency, (2) commonsense, and (3) culture.

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