

Handbook on the Knowledge Economy

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17 Managing creativity in the knowledge economy

Mark Banks

Introduction

In the knowledge economy creativity is widely promoted as a key resource for securing competitive advantage, yet precisely how firms define and manage this elusive attribute continues to attract diverse opinions (Amabile 1996; Davis and Scase 2000; Florida 2002). This chapter first accounts for the emergence of creativity as a desirable corporate asset before examining varied workplace definitions of creativity and strategies for creative management. Since it is often argued that, in the 'new' economy, 'knowledge is in the networks' (Cooke 2002, p. 2), priority is given to the social and interactive – rather than the individualistic – nature of the creative process. It is argued that the popular idealization of the individual creative, as the impulsive harbinger of new ideas, is, for the most part, a partial and reductive one. This is because it disclaims the organizational and institutional forms of interaction that are necessary for the effective mobilization of creativity (Amabile 1996), as well as ignoring the ways in which creativity is contested, disciplined and, indeed, often negated, in the contemporary firm (Nixon 2003; Prichard 2002). In drawing upon empirical research undertaken with managers working in 'new media' SMEs from the north-west of England (Banks et al. 2002), the chapter contends that creativity is a contested *social* process – and in doing so emphasizes both the local and specific character of creativity discourses and the centrality of power relations in defining and managing creativity.

Creativity, production and consumption

Arguably, the creative impulse has been stimulated by the mooted transition to an informational mode of production (Castells 1996), whereby competitiveness is increasingly seen to be determined by the ability to tap into new knowledge, ideas and innovations. Here, cutting-edge ideas are not only crucial to the production of new material commodities, but also to the generation of a burgeoning range of non-material goods, that is, those primarily valued as cultural signs and symbols, or as providers of knowledge and information (Scott 2000). This mode of production not only relies on the increased 'flexible specialization' (Piore and Sabel 1984) of the firm, but is further made

possible through global networks and infrastructures that enable the effective flow of people, information, commodities, finance and services across real and abstract space. In this emergent knowledge economy, creativity is seen as a potential source of competitive advantage rather than, as in the 'old' (Fordist) economy, an unaffordable luxury or additional cost (Jeffcut and Pratt 2002).

Additionally, shifts in the nature of consumption are central to an understanding of the emergence of the creativity issue. If Fordist mass production was characterized by product standardization and the fulfilment of basic consumer 'needs', then post-Fordism is concerned with the flexible disorganization of capitalism in order to fulfil increasingly differentiated and individualistic wants and desires (Amin 1994; Lash and Urry 1994). In contrast to the 'mass consumer' of the past, the contemporary consumer enjoys a 'lifestyle' that is particularistic and privatized, and is now more concerned with consuming images and signs as well as increasingly differentiated ranges of material goods (Featherstone 1991). In markets where consumer demands are difficult to define and categorize, and behaviour often impossible to predict, firms and entrepreneurs must themselves become more open-minded, self-reflexive and open to radical change (Lash and Urry 1994) – hence the need to instil a creative dynamic at the core of corporate enterprise.

Within the knowledge economy, it is argued that firms are compelled to develop a creative, innovative capacity that can generate new ideas, solutions and products (Florida 2002). Increasingly, keeping ahead of one's competitors is seen as a problem to be solved by 'unlocking' creative potential or mobilizing 'knowledge assets', as much as one necessitating application of more traditional measures such as cutting costs (Davis and Scase 2000; Jeffcut and Pratt 2002). To oversee a 'learning', 'knowledge-rich' or 'creative' firm is not only seen as a widespread managerial aspiration, but is increasingly judged a necessity for creating a competitive firm (Florida 2002).

Creativity at work

Creativity is often idealized as individual capriciousness (Rickards 1999), the product of some innate disposition that eludes the 'non'-creative (McFadzean 1998; Tan 1998), or simply a fundamental part of being human (Russell and Evans 1992). A widespread, common-sense conviction is that creativity is essentially an individualistic enterprise, rooted in psychological aspects of behaviour, articulated at crucial moments of inspiration (Boden 1990).

Yet, in the workplaces of the knowledge economy, the genesis of creativity increasingly takes place within the context of collective interaction and communicative exchange – the project group or team meeting, the 'away-day', the networking event or in the informal networks and social spaces outside of the workplace environment (Davis and Scase 2000; Granovetter 1973). What is more, the content of creativity – that initial seed of an idea, plan or process

– is only judged to *be* creative within the context of existing and established procedures and protocols that are socially produced, maintained and mediated. Put simply, it can be argued that what counts as creativity is determined by managerial priorities and goals and what we might call the ‘workplace culture’ – as much as through the force of creative personality or any innate qualities contained within an idea itself.

Jeffcut and Pratt (2002) refer to the need to develop analyses that move beyond the ‘atomistic assumptions’ inherent in much creativity research, recognizing that firms and organizations are actively implicated in the social construction of creativity in particular settings and contexts. This is not to say, as they are quick to point out, that creativity is *all* context, but rather to recognize that the creativity problematic tends to be configured in dynamic organizational contexts, where multiple stakeholders are seeking to secure strategic advantages, and where normalizing and disciplining discourses around creativity will tend to produce ‘devices that identify, classify and regulate’ creativity and its outcomes (Prichard 2002, p. 266). Idealizing the creative as the ‘individual subversive’ or the ‘lone voice at the margins’ is not necessarily helpful with regard to understanding the interplay of actors and the organizational conditions under which creativity is constrained or permitted to flourish.

Creativity, communities and clusters

There are a number of options open to a firm or organization that wishes to become more creative. While this usually involves the importing of formal training or specific techniques of creative thinking (see McFadzean 1998), what we address here is how embedded and routinized social and organizational structures can act as incubators or generators of creativity, ones that have no explicit connection to managing ‘behaviour’ as such, but are more concerned with enhancing communication and providing opportunities for interaction among diverse sets of actors involved in the production process.

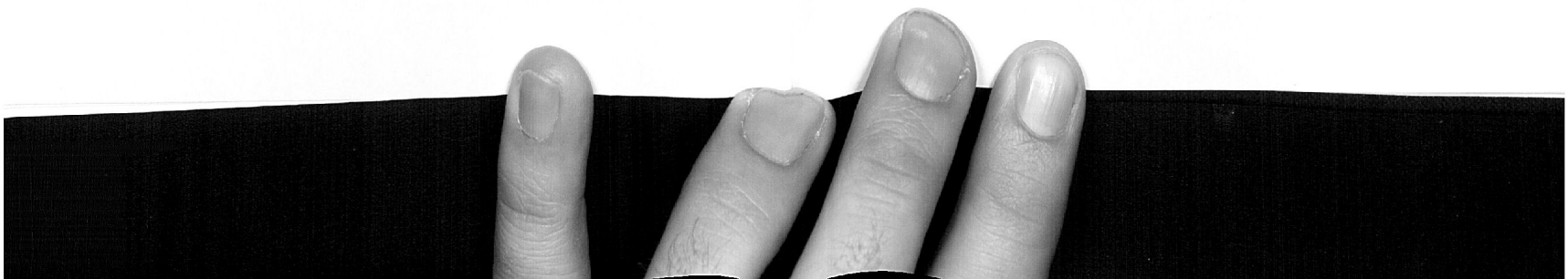
To this end, it can be argued that firms are, to a greater or lesser extent, implicated in what various commentators have labelled ‘communities of practice’ (Amin 2000; Brown and Duguid 1991; Wenger 1998). This term describes the range of formal and informal, social and organizational collectives that make up the workings of an organization. Such communities, as Amin (2000) notes, are seen as vital mechanisms for enabling both routine and strategic learning through processes of social interaction, as well as providing the conditions for the development of both tacit and formal organizational knowledge. Brown and Duguid (1991, p. 76) claim that ‘it is from the site of such interactions that new insights can be coproduced’ – suggesting that communities of practice may have a key role to play in organizational creativity and innovation.

In its ideal state, a community of practice works as a group of people informally bound together, sharing knowledge in order to pursue a goal or to solve problems in an organization. Yet, while these communities might ideally be informal and resistant to overt supervision, they cannot exist without management support and structure (Wenger 1998; Wenger and Snyder 2000). To that end we can argue that organizational creativity is a latent potential, the realization of which is determined partly by the range and efficacy of the ‘communities of practice’ in which a firm engages, and partly by the effectiveness of strategies employed by managers to facilitate this engagement. Thus creativity may be effectively realized through a range of strategies, the most obvious of which are team-working, collective learning and development exercises, ‘free’ time for ‘blue skies’ thinking, rotating or switching of roles and responsibilities, and research and development initiatives. Ensuring that workers are provided with opportunities to explore and articulate new ideas and solutions, and to develop personal and collective knowledge is increasingly seen as crucial in constructing a creative, learning organization and an effective community of practice (Amin 2000).

While developing an internal creative capacity is crucial, as these arrangements are often bounded, to varying degrees, within the bureaucratic organization of the firm, it is often found that the limits to the creative capacity may be quickly reached. In this scenario, developing ‘external’ communities of practice may be a solution to problems of creative underperformance.

The shift towards the employment of external experts – contractors, freelancers and consultants – has been one of the characteristics of the knowledge economy, where jobs and projects often require a range of knowledge inputs not necessarily housed within the confines of the firm itself. The role of external artists, designers, advertisers and marketers has grown in recent years, first as a result of a general expansion in ‘creative industries’, but also as a wider range of ‘traditional’ manufacturing firms look to factor the ‘creative’ dimension into products and the production process. These external experts may be members of close-knit and informal networks, often (though not necessarily) geographically ‘clustered’ around the firm, but usually linked by a history of collaboration, shared experience and industry knowledge. Managing and facilitating the effective integration of external experts into the organizational creative process is now seen as a crucial skill (Russell et al. 2003).

While ‘communities of practice’ may offer one solution to the problem of exploiting social creativity, another is to enhance the development of less structured, more informal social networks. Here, ‘network’ describes the web of traded and untraded relations and associations between individuals and firms, maintained through the production and exchange of goods, knowledge and information. Networking allows both the dissemination of relevant information and the generation of new contexts through which creativity and



production can ferment. Effective networks allow firms to combine 'local' knowledge and tap into more distant 'global' resources in order to aid production processes (Castells 1996). In this respect, an important emergence has been the creative 'cluster' (Porter 1990), defined as an agglomeration of geographically proximate and interconnected firms, institutions and ancillary services working within a distinct field of production. The literature on clusters is extensive, though much of it points to the importance of co-location and shared sense of place as crucial in the construction of knowledge-rich sectors and the necessity of interfirm collaboration for the effective, collective accumulation of wealth (Cooke 2002; Porter 1990; Scott 2000; Sennett 2001). Local social relations, developed over time, help underwrite new productive coalitions, and geographical proximity provides a compelling basis for maintaining networking and collaborative activities. This can lead to the development of a 'Marshallian' local industrial complex of close personal relationships and productive relations of trust (Amin and Thrift 1992; Banks et al. 2000; Cooke 2002; Maskell et al. 1998) that provides the necessary 'atmosphere' for further creative ideas and knowledge transfer. Examples include the leading production complexes of Hollywood, Silicon Valley and Boston USA, Cambridge UK, Lombardy and Emilia-Romagna in Italy. These are places where sectors such as ICT, hi-tech manufacturing or cultural production have blossomed, underwritten by myriad social networks where intense knowledge exchange, 'weak ties' (Granovetter 1973) and webs of association (Scott 2000) take precedence over more traditional, Fordist firm cultures and practices.

We have suggested that in the knowledge economy creativity may be located within discrete patterns of social relations which we have idealized as 'communities of practice' – structures that are contained by the firm but also externally located in formal collaborations and informal networks of cooperation, dialogue and exchange. But even if firms can identify the potential sources of creativity, be it in the creative individual, or (as we have suggested here) in the matrix of social and organizational interactions and structures, precisely how to mobilize and manage creativity remains a key issue. It is to this problem we now turn.

How managers define and locate creativity

The way in which creativity is defined and managed varies considerably across industrial sectors. More surprising, it also varies markedly within sectors; indeed, there may be disagreement at the level of the individual firm as to what constitutes creativity and who possesses it. To illustrate this I draw briefly on our own research on managers of small and medium enterprises (SMEs) working in the 'creative industries' sector in the north-west of England (see Banks et al. 2002). As a sector that has a strong and self-

conscious perception of being 'creative' and 'cutting edge', one would anticipate that organizational debate around the creativity issue would be somewhat more developed than in 'non'-creative sectors. Yet even in a sector where creativity is argued to be central to securing competitive advantage, definitions of creativity were often vague, partial and contested.

We interviewed a range of managers working in what are broadly referred to as 'new media' SMEs – firms involved in the production of Internet-based designs, services and applications (see Pratt 2000; Preston and Kerr 2001 for comparative work). Managers (variably) defined creativity as a loose combination of individual skills, personality attributes and organizational capacity. Few managers differentiated between the concepts of creativity, innovation and problem-solving; indeed they were seen as interchangeable and closely linked. When asked to suggest who possessed creativity, or where creativity was located in the context of the firm, managers' responses fell broadly into three categories. First, we found what we call 'managerial creativity', where managers tended to emphasize their own creative qualities in areas of client management and corporate marketing, and downplay the role of creativity at other stages of the production process – an assumption contested by other employees. Creativity was defined as the individual ability to negotiate the deal, manage the client and deliver the 'whole package' – rather than a quality inherent in the team-based design or planning of the product itself. Second, we identified 'content creativity' in firms working in areas such as e-learning, training or human resource management, where creativity was defined in relation to the development of products that contained useful 'learning content' or provided efficacious mechanisms for promoting new knowledge and understanding. Creativity here was team-based and dialogic, conceived as the outcome of a series of intellectual challenges to the product – from tutors, designers, programmers and clients. A third definition of creativity offered by managers within more digital-art-based activities, or those managing small graphic design firms, we labelled 'aesthetic creativity'. Here, a more traditional notion of 'pure' creativity where the individual freedom and autonomy to pursue creative designs was prioritized and made distinctive from more mundane or functional elements of the business.

This variability has important implications for those wishing to promote and enhance creativity through strategic sector or firm-based interventions – a one-size-fits-all approach will have limited purchase, for any intervention must recognize the varied and contested nature of creativity. As well as contrasting definition, within our small cluster of firms we found considerable variation in suggestions as to how creativity could be managed.

How managers manage creativity

As Jeffcut and Pratt (2002) note, we should avoid stereotyping management

'de-traditionalized', knowledge-based economy may in fact be activating a process of re-traditionalization in terms of gender roles, whereby women who are often less able to 'fit in' and adequately embody the model of the new all-flexible, all-networking creative worker may find themselves displaced into more traditional work and domestic roles away from the heat of 'reflexive, knowledge intensive occupations' (1999, p. 126). Indeed, the consequences for those who generally fail to live up to the creative ideal may be stigmatization, marginalization (Prichard 2002), or, ultimately, the loss of their job. Avoiding such retrogressive practices clearly involves tackling some of the fundamental assumptions embedded in the culture of creative industry management.

Key questions for creativity

Given the poor state of knowledge about creativity in the workplace, managers are often unprepared to deal with it. In fact, they may not even know where to begin to approach managing creativity or what questions to ask about it. It would seem that the best place for managers and firms wishing to stimulate creative thinking to begin is with these broad questions:

- How is creativity defined in the context of the firm?
- Who possesses it and in what form is it expressed?
- What value is placed on creativity as an internal resource?
- How do intrinsic and extrinsic organizational structures enhance or undermine creativity?

By considering these questions, managers and firms might begin to develop a more reflexive, inventive approach to the management of creativity – one that may lead to new forms of project and team organization, human resource management, and a workplace culture that can empower rather than oppress or inhibit creative impulses. As Davis and Scase (2000) note, in the contemporary economic climate, management processes and the design of organizations have had to adapt to accommodate the needs of the growing number of creative, knowledge-based employees – managing creativity has become a necessity rather than a choice. The benefits of becoming more reflexive, innovative and creative have been widely reported – and many problem-solving techniques and creativity 'gurus' can now be called upon (McFadzean 1998, 2000). Yet, while specific tools and techniques may well make individual organizations more creative, the volatility of the market suggests that the real problem may lie in the ongoing tendency for managers and firms to view creativity solely as a calculable and manageable aspect of psychological behaviour, amenable to a quick fix. Such an assumption not only tends to negate the possibility of more pluralistic and reflexive analyses of creativity at

the level of practice and within the wider workplace culture, but also wholly disclaims the socially constructed and mediated character of creativity.

Evaluation of industry and workplace context, structures of social and interpersonal interaction and managerial and organizational understandings of 'creativity' should be seen as vital components of any academic or corporate attempts to understand or stimulate creativity in contemporary organizations. The idea that 'creative activity in the economy is the next stage in the long-term development of our society' (Kelly 2004, p. 22) is a pervasive one, and so securing more detailed understandings of the general and firm-specific negotiations involved in the contested politics of creativity is a clear priority.

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18 Inexperience and inefficiency in information transactions: making the most of management consultants

Stuart Macdonald

Experience with management consultants

There can be few organizations of any size, in any sector of a developed economy, that have not at some time hired management consultants. The management consultant is a creature of the knowledge-based economy. On the face of it, the function the consultant performs in this economy is simple and self-evident: the consultant sells the client the information required to manage the organization. But information transactions are seldom simple and this one is no exception. In this chapter, an information perspective, rather than the conventional management perspective, is applied to explore just what is going on.

While there is much the organization can gain from management consultants, there are also problems inherent in hiring them, often deep-rooted and seldom acknowledged. Management consultants can easily become addictive, each successive consultancy increasingly likely to lead to another. Management consultancy can as easily become incestuous, consultants being hired because other managers hire them. And management consultants can encourage dependency, managers desperate to meet the expectations made of them hiring consultants and finding that this only increases the expectations. Together, these ingredients make a powerful cocktail, and yet its effects are not often appreciated. The explanation would seem to be that management consultants are now so pervasive that it is hard to remember ever being without them. To be sure, there is dissatisfaction with the performance of management consultants (e.g. Dwyer 1993), and consequently prescriptive tips galore on how to get more from your management consultant. Generally, the assumption seems to be that those who have most experience of management consultants are best placed to proffer advice. But if hiring management consultants has indeed become compulsive, even compulsory, this may not be so.

Not all the considerable growth of the management consultancy industry in the 1990s is explained by regular clients hiring more management consultants (Clark 1995). There was also much new business, and some of it from organizations that might be considered unlikely customers for consultants. This