



Making a Business Plan

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Creativity and Business

Some people regard creativity and business as being like oil and water – they just don't mix. They think it's a question of choosing between creativity or business. I disagree.

The challenge for creative people when planning a business is to combine skilfully the best ideas of both 'T-shirts' and 'Suits', in other words, to bring together creativity and best business ideas, so as to turn creative talent into income streams. Successful creative entrepreneurs embrace both creativity *and* business.

The art of business is to select from a palette of infinite choices to draw together specific products or services, with specific customers' needs, in a way that adds up financially. The resulting picture is a unique formula for a successful enterprise.

Naturally, creative businesses tend to have a high concentration of new ideas in their product or service. Successful organisations of all kinds combine all the essential business elements creatively. Successful creative enterprises need to have a creative product or service; they also need to invent a special and workable formula of all the essential ingredients of business.

Crucially, this is not a 'compromise' between creativity and business – it's a matter of getting the best of both worlds.

Business Plans

Firstly, let's make a distinction between planning for a successful creative business and 'writing a business plan'. The two are not necessarily the same. In my own experience, many people write business plans purely because they are a requirement of investors or funders. These business plans tend to be written without conviction and are then quickly shelved once the third party investor has accepted (or rejected) the plan. A business plan should be primarily for the business itself, a 'route map for success', setting out the objectives and steps to be taken to achieve its objectives. Ideally a good business plan should serve the business well as a working document – as well as to articulate to third parties the benefits of the business,

return on capital invested, risk management and other concerns of stakeholders and partners.

But the business plan is not a sacred document. A business plan does not automatically guarantee business success. Many business plans present the details but fail to address the fundamentals. Any business plan must be based on the values and objectives of the entrepreneurs concerned and at its heart must be a feasible business formula. Both of these are therefore worthy of further consideration.

Values and objectives

When working with creative entrepreneurs as a business adviser and trainer, the first things I invite people to consider are the fundamental objectives of the enterprise. Everyone wants to be successful, yet we can have very different definitions of success. For some people it is wealth, for others recognition, or maybe social objectives are the *raison d'être* as is the case with social enterprises. For many businesses it is a particular blend of these. It is not my job to define success for others – but as an adviser I do insist that entrepreneurs are clear about their own definition of success.

Business development is another fundamental issue to be addressed at an early stage – and as the business becomes more mature. Is growth the objective and if so, how is growth measured? It could be in terms of turnover, employees, market share or profitability. Many creative entrepreneurs do not want their business to grow large; instead they want to achieve a 'lifestyle business', based on their own talents, providing both a good standard of living and a good quality of life. For some businesses, success is measured by a 'triple bottom line', which takes into account not only profitability but social benefits and environmental impact. It's not only a matter of what the business does, but how it does it: values are important too. I use the term values widely to embrace everything from business ethics to personal preferences (for example for autonomy) to the 'corporate culture' of the organisation ('the way we do things around here'). These are matters that are often neglected in many generic business planning processes but are essential issues to be addressed at an early stage and revisited often. If business development is not fully consistent with the shared values of the entrepreneurs driving it, then discord and disaster are likely to occur.

Business partners need to be sure that they are on the same wavelength in terms of their definition of success and their values. As a consultant I have been asked to help solve problems in businesses only to find that the underlying cause – the real illness rather than the superficial symptoms – is in fact the absence of a shared vision. In other words the stakeholders are working hard

but towards different goals, and perhaps also with different attitudes. No wonder problems occur.

Creating Possibilities

One of the characteristics of creative people is their ability to generate lots of ideas, and indeed a wide range of products and services derived from their creativity. And yet often people approach me for advice with very narrow and fixed ideas of the particular product or service they want to develop commercially. One of my tasks as a business adviser is to encourage them to create a wide range of possibilities, in other words, to open fully their creative portfolio to explore all the options available to them arising from their creative talents. Though it is necessary to generate lots of ideas, it is of course impossible to develop them all commercially, and this can be frustrating. We need therefore to select the best ones from all the possibilities. This requires imagination on the one hand, then analysis on the other. It requires both right-brain and left-brain thinking. Putting our brain into right-gear we should create hundreds of possibilities generously – then engage our brain in left-gear and select the best options ruthlessly. Of course few people are able to use both right-brain and left-brain with equal effect and that's why some of the best entrepreneurial partnerships are a combination of a creative genius and a hard-nosed business person, or an effective balanced team of people.

The best businesses combine both creative talent and powerful business techniques – what I refer to as the 'T-Shirts and Suits' approach. And this approach applies whether there is literally a two person partnership or a combination of both elements within a one-person business or an entrepreneurial team.

Knowing yourself

"If you know the enemy and know yourself, your victory will never stand in doubt" wrote Sun Tzu in the classic Art of War. In terms of creative businesses, it's important to have an objective understanding of the strengths and weaknesses of the people involved and of the business as a whole. A checklist which can be used to evaluate a range of aspects of the business – and the strengths and weaknesses in each area – is the PRIMEFACT checklist. This acronym stands for nine areas to be assessed: People, Reputation, Intellectual Property, Market Information, Ethos, Finances, Agility, Collaborators and Talents. It can be difficult to be objective about one's own business, so the views of informed outsiders can be invaluable here. The information gathered can help to form a business strategy which plays to the strengths and avoids (as far as possible) the weaknesses of the enterprise.

Competitive Advantage

Having identified the strengths of the various aspects of the business, we need to take it a step further. This is to consider business strengths *in relation to competitors*. It's one thing to be strong in a particular area, but if the competitors are strong too, or indeed even stronger, this does not give us a competitive advantage. We are looking for areas which make us stand head and shoulders above the crowd since these strengths give us competitive advantage. In competitive terms, gaining competitive advantage means playing to the creative strengths where

we can win in relation to competitors and ironically this may not be our favourite or even 'best' talent. Nevertheless we may be able to use our creative competencies to solve particular customers' problems better than anyone else.

Business radar

Just as a ship on a voyage across the ocean needs to use radar to scan the horizon for approaching friends and foes, creative businesses need to be constantly on the lookout for opportunities and threats in the environment. 'PEST Analysis' suggests we look in four directions for forces which could present opportunities or threats: the Political, Economic, Social and Technological arenas. A more comprehensive eight-point compass is 'ICEDRIPS Analysis', which suggests we need to look in the following directions: Innovation, Competitors, Economics, Demographics, Regulations, Infrastructure, Politics and Social Trends. Having listed all the current and imminent external forces which could present opportunities or threats to our enterprise, the next stage is to identify the key ones – and then plan accordingly, in order to seize opportunities and evade threats.

Barriers to entry: IP is the key

Many industries have barriers to entry. Setting up a mobile phone network or drilling for oil not only take huge amounts of capital but they are regulated by government licences. In contrast, most creative industry sub-sectors are vulnerable to new entrants to the marketplace since barriers to entry tend to be weak. So how can a creative enterprise defend itself from new entrants taking market share? One of the most effective barriers to entry – and one that is at the heart of the creative industries – is intellectual property. By using copyright, design rights, trade marks and patents, creative enterprises can protect themselves from competitors – or profit from the interest of potential new entrants through licensing arrangements. Not only can intellectual property rights protect creative entrepreneurs from competitors, more positively those legal rights can generate sustainable income streams independently of continuous creative labour.

The Market Dimension

Creating possibilities needs to occur on a different dimension too. This is in the area of identifying potential markets, customer types and individual clients. Again, despite their abundant creativity in many respects, budding creative entrepreneurs often lack imagination when it comes to exploring possibilities in terms of potential customers. As in the case of creative products and services above, I encourage clients to use right-brain thinking to generate lots of ideas then engage left brain to analyse and select the best ones.

The Unique Business Formula

The objective of any successful creative business is not to reach an uncomfortable compromise between creativity and commerce. Being half-creative and half-commercial is just not good enough! On the contrary, the objective is to be fully creative and wholly successful. To achieve this we must imaginatively combine particular aspects of our creativity with carefully selected market segments. Given

the number of potential creative products and services on the one hand, and the number of potential customer types on the other, the number of possible combinations between the two is a very large number. Indeed it is the one multiplied by the other and this can be expressed graphically as a matrix with creative products/services on one axis and customer types on the other. A successful business formula occurs when particular creative products and services are matched with corresponding paying customers. There are different ways to find a winning combination. One option is (metaphorically) to pick numbered balls from two separate bags (in the manner of a soccer tournament draw) and try and match a randomly-selected product with a randomly-selected market segment. Eventually you will achieve a hit, but probably run out of energy, money and time long before that happens. Clearly this is an extremely unintelligent approach! Yet the approach taken by some creative people when trying to make a business from their artistry is not dissimilar. It is by mismatching products and services with customer types that frustration occurs; selling out seems to be the only option to join together incompatible combinations. The intelligent approach is to set out all the possibilities and carefully select the best possible combinations, using common sense, market testing and pilot projects to home in on a successful business formula – and thus quickly eliminate the majority of possible combinations from the picture.

Targeting Key Customers

Creative marketing involves selecting markets carefully for particular products and services – rather than using clever creativity to persuade people to buy products they don't actually need or want. Whereas many businesses use a scattergun approach to publicity – then waiting to see who turns up, the most successful creative enterprises focus on particular clients and then make an active approach tailored to the target customers.

Working with others

As mentioned above, the most successful creative businesses take a 'T-Shirts and Suits' approach to business development, combining creative talents with best business practice. Very often this is achieved by a partnership or larger team. Very soon, therefore, the question arises about the ownership and control of the enterprise as more people become involved. Company structures can offer various possibilities for ownership and control through the issuing of shares to stockholders and the appointment of company directors. Though company law differs from country to country, there are usually a range of structures that can be created within the framework of a 'limited company', including 'not for profit' (more accurately non-profit-distributing') options and constitutions suitable for co-operatives and social enterprises.

Strategic Planning

Having established the vision and values of the enterprise, and then carefully devised a unique business formula, the next stage in the planning process is to identify the key steps to be taken along the road to success. Put simply, strategic planning is a matter of setting out the crucial several steps that need to be taken to get us from where we are now to where we want to be. I encourage clients to envisage the future and see themselves having achieved the success they strive for – and then to look back from that future position along the road they have travelled, spelling out the crucial moves they made along the way. In this way, the steps (five or six, perhaps) can be more clearly seen. Returning to the present, those same steps are now in front of us and form the basis of our strategic business plan.

Conclusion

At the heart of business planning is the creation of a unique business formula for a successful creative enterprise. This involves exploring all the options in terms of creative goods and services on the one hand, and examining all possible market segments on the other. The resulting two-dimensional matrix offers a perplexing array of possible combinations. The art is in selecting the few best matches from all the feasible combinations of goods/services and customer types.

A successful creative business will be built upon producing goods and services at which we excel, matched with carefully selected customers. In this way, creative entrepreneurs can unleash their creativity without compromise *and* achieve commercial success.

This unique business formula is the key. Get this wrong and compromise or failure will result. Get it right and the creative enterprise will have a great chance of both creative and commercial success.

Links

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