



THE
BUSINESS OF
CREATIVITY

AN EXPERT GUIDE TO STARTING AND GROWING
A BUSINESS IN THE CREATIVE SECTOR

**MICHAEL
JACOBSEN**

FOUNDING CO-PRODUCER OF

DIRTY DANCING

THE CLASSIC STORY ON STAGE

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**AN EXPERT GUIDE TO STARTING
AND GROWING A BUSINESS IN THE
CREATIVE SECTOR**

BY MICHAEL JACOBSEN

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For Melvyn

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ABOUT THE AUTHOR



MICHAEL JACOBSEN is an Australian-born serial entrepreneur, now based in Europe. He holds a Bachelor of Business degree from UTS in Sydney and a financial diploma from the Australian Securities Institute. He is active in UK and European business and is also an angel investor and business mentor to start ups, growth businesses and businesses in the creative sector, predominantly in the UK and Europe. He sits on the

board of the world-renowned Australian Centre for Event Management, a division of the business faculty at the University of Technology Sydney.

Michael co-founded/owned and was founding co-producer of *Dirty Dancing – The Classic story on Stage*, which held its world premiere in Australia in 2004 and has since played in Holland, Canada, the USA, Germany and London's West End. It set box office records in Germany, Canada and London and is one of the most successful live entertainment products ever staged in terms of ticket sales and revenue.

Michael also co-founded and developed the 13,000-seat Vector Arena in Auckland, New Zealand, and sat on the board as an executive

director. For a number of years he was also on the board of the 2000-seat Capitol Theatre in Sydney and was CEO and board member of the 12,000-seat Sydney Entertainment Centre for six years. He has also been involved in the promotion of concert tours by numerous leading artists including Elton John, Bruce Springsteen and Barbra Streisand.

Alongside his own entrepreneurial activities, Michael is active as a business mentor in the UK and Europe. He has taken numerous companies to market and worked with others on how to become investable – assisting them in gaining finance, venture capital and private equity.

Michael is passionate about education and in addition to his work as a business mentor, he lectures at universities in London, is a mentor at the Peter Jones Enterprise Academy, sits on the steering committee for NACUE Create (National Association of College and University Entrepreneurs), has acted as a resident entrepreneur for the StartUp Britain campaign and is a mentor for the Doug Richard School for Creative Startups.

With thanks to

My family, Emma Jones, Myles Hunt, Dr Usama Jannoun, Paul Manley, Ben Posen, Kamran Bedai, Scott Russell Hill and Lord Archer

PREFACE

THE CREATIVE SECTOR forms a large part of the British and European economy, encompassing the following areas:

- Advertising
- Architecture
- Arts and antique markets
- Crafts
- Design
- Designer fashion
- Film, video and photography
- Musical and visual performing arts
- Publishing
- Radio
- Software, computer games and electronic publishing
- Television

Business and creativity will always be an uneasy marriage, but it is a marriage of convenience and also a marriage of necessity.

With this book I want to empower and equip those who have creative passion, who have launched creative start ups and those who are growing creative businesses with the specialist knowledge I have gained from my experience as a creative entrepreneur. I also want to inspire the millions of people employed in creative industries in Britain and Europe to start their own businesses.

Drawing on my own experience, lessons I have learned, and what I have seen to work and to fail in my own businesses and those I have invested in or mentored, I have put together this easy-to-digest business book.

You don't have to read it from front to back (but you can if you want!) It is arranged sequentially, taking you through the various stages of the business journey from start up, to growth, to the pressing question of what to do next when you close the book.

I do not hold myself up to be flawless, in fact I have tried to draw on my own successes and failures to impart knowledge to you. All entrepreneurs have their fair share of both, but the important thing is to come out on top.

I am fortunate to have had more successes than failures and I put that down to learning from mistakes and learning from others. You only come out on top through learning and education, and using this to add more value, and to create and implement better systems. This is good business. You won't win every race, but pace yourself, train and win as many gold medals as you can.

A last point to note here is that throughout the book I have included *spotlight* case studies of some of Britain's best creative sector companies. These are headed up by entrepreneurs who have a passion for their particular art form, and who have built a successful business around that. These should provide you with inspiration!

Use this book to regularly acquaint yourself with the tools you need to turn your creative passion into a viable, successful, long-term business.

INTRODUCTION

A passion for business

FROM THE TIME I WAS YOUNG all I ever wanted to do was be in business. My father was in business and from the age of five I used to go to his office with him on weekends or during holidays and sit there going through papers on his desk. My parents even bought me a little briefcase!

Through school the idea of holding a job down never appealed to me and when I was at university studying business I did not think about what job I might be able to get from it, but rather how I could apply the knowledge I was gaining to start and run my own business.

My interest in business was piqued at school when I was fortunate enough to have a wealthy commerce teacher who was already a successful stock market trader. I would often arrive early for class and he would talk about what he was investing in and explain how he chose the stocks, recommending certain books I could read for research (it was pre-internet days... but only just).

So I started trading while I was still at school, aged 16. After some initial success I realised that making money was fun and the activity of business itself was even more enjoyable than I had thought it would be. I realised that if I traded successfully and built up a bank of funds then I could invest that money into business and property, thereby not only generating cash flow but also growing my assets and putting money away safely.

Having finished university I got a job in stock broking with a bank. The worst part about this was that I was restricted in what I could trade myself. I also started to build up a property portfolio. One of my best friends was in property development and we would have endless coffees whilst he explained to me how the property market worked at a commercial level.

Creative business

The undertone to all of this was that my family's business was in entertainment. I did not necessarily want to be in business with them, although entertainment was in my blood because I had been exposed to showbiz from the time I was born. I was very happy with the stock broking world; I was financially secure and enjoyed success in property, stock and derivative trading.

Eventually opportunities arose where I could do both, so in addition to my own businesses I became a shareholder in my family's business. After several years of ups and downs, successes and failures, litigation and love, we turned the company from a *fee for service* business, promoting and producing shows, into a property owner and manager, developing arenas and entertainment venues, and owning the intellectual property rights to shows. The most notable of these was the theatrical production *Dirty Dancing – The Classic Story On Stage*, to which we owned the world rights.

I co-owned and was founding co-producer of *Dirty Dancing*, which held its world premiere in Australia in 2004. This production has since played in Holland, Canada, America, Germany and London's West End. *Dirty Dancing* set box office records in Germany and London. With sold out performances and a global gross to date in excess of US\$500m, it is regarded as one of the most successful musicals of all time, alongside *Phantom of the Opera*, *Miss Saigon*, *Mamma Mia* and *Cats*. It became a global phenomenon and was valued at over US\$100m when I exited.

Over the past decade I have been involved in concert promotion, theatrical production and rights ownership, venue management and ownership and development, as well as angel investing. This work has included taking numerous companies to market, counselling them on how to become investable and then helping them to gain finance, venture capital and private equity. I have also been involved with property development, public speaking, mentoring and co-founding companies across a variety of sectors.

I also co-founded and co-developed the 13,000-seat *Vector Arena* (the Auckland Entertainment Centre) in Auckland, New Zealand. I have been chairman of what is arguably Australasia's leading theatre, the 2000-seat Capitol Theatre in Sydney, and also of the 11,000-seat Sydney Entertainment Centre, winner of multiple global awards as *entertainment venue of the year*.

I left these positions after a sale process to exit them and monetise the investments was set in motion. The Sydney Entertainment Centre, for example, was revalued three years after opening and had produced a 300% ROI.

Creative sector businesses remain my passion and my role has always been on the business side; the *business of creativity is my thing!*

A move into mentoring

In the years following my move to Europe I have not worked full time. I now undertake philanthropic work at the Peter Jones Foundation and Doug Richard's School for Creative Startups. I am on the steering committee for NACUE/Create (National Association of College & University Entrepreneurs) and sit on the board of the Australian Centre for Event Management, a subsidiary of the Faculty of Business at Sydney's University of Technology (UTS).

I have also lectured at the University of Westminster and for UK Trade and Investment (UKTI). I was a founding mentor at the Accelerator Academy in London and I act as a mentor for Springboard, the UK

and European Accelerator. Commercially, I established a company to mentor entrepreneurs.

I do this mentoring work because I enjoy it and because I noticed that most mentoring was being done either by salesmen or by people who were just teachers of theory and had no practical experience of actually starting or running a business.

When business and creativity collide

One thing I have witnessed is that creative entrepreneurs generally fall into two categories: those who keep a day job and do their creative work on the side, perhaps as a hobby, and sometimes receive a small income from it but only on a spare change scale; and those who want to take their concept to a commercial level.

To many in the creative sector, *money*, *cash* and *profit* are dirty words. To many in the commercial world the creative sector is not taken seriously as a business. A creative business left to creative people alone will have no business direction. Likewise, a creative business left to business people alone will have no creative streak.

These stereotypes are changing and creative sector entrepreneurs are realising that they can turn their passion into a business and keep its creative integrity, if they structure their enterprise correctly. Similarly, many in business now view the creative sector as a serious proposition with growth potential, in addition to it being a contribution to UK culture.

Even the British government recognises this and is placing the creative sector as a commercial sector firmly on its agenda. The EU is similarly placing importance on it, releasing policy papers and injecting funds into the European Creative Community.

Given these facts and the position I have come from, firstly in traditional business and later amalgamating my financial and business expertise with my creative passion, I work actively to bring these two

camps together and to help creative entrepreneurs realise their passion. When this happens the creative person can afford to do what they love every day for the rest of their lives. What better way is there to live than that?

My intention in writing this book is to help start ups and creative sector entrepreneurs receive a business education so they can structure their endeavours appropriately and so theirs can become a viable business.

I hope that you enjoy the book and find it to be useful.



CHAPTER 1

**Curtain Up:
Getting Started In Business**

THE INGREDIENTS FOR SUCCESS

ONE OF THE THINGS I am constantly witnessing is how obscure the path seems to be for entrepreneurs wanting to get into business in the creative industries. It is often opaque at best. Many creative entrepreneurs therefore understandably struggle to work out where to begin when aiming to turn their burning passion into a commercial start up.

As a consultant and mentor for creative sector businesses and entrepreneurs this is the No. 1 question I see from creative start ups – “Where do I start?” The other two key issues I see are concerns over finance (“I don’t have any money, I can’t start a business!”) and an overall lack of knowledge about business structure.

Creative sector businesses are unique in that often they are synonymous with their founder. Look at Sir Paul Smith and his eponymous fashion chain; *The X Factor* and Simon Cowell are inextricably linked; and where the man Steven Spielberg and the brand Steven Spielberg diverge is impossible to tell.

For this reason, it is more important than ever to ensure good business principles are enshrined. In that way the entrepreneur can be the person *and* the commercial business. If you don’t do this, you will always own a job, not a business.

So, having a clear **vision** and **mission** is the key starting point.

I have put together a full checklist for you to look at and refer to as often as you can, to ensure that you are laying the foundation for your creative business from day one. See how would you rate your own feelings on each one of these.

Checklist of ingredients for success

1. A clear **vision** for the company.
2. A clear **mission** (how you are going to implement your vision).
3. A clear set of **values** (this underscores the integrity of your brand).
4. A clear plan for the next **120 days** laying out what you need to do day by day to get your business into shape. Make a brain dump and put timings around it with milestones. Easy!
5. Engage with a **coach, mentor** or good friend who has business savvy. Someone you can bounce ideas off and who can elevate you. This is what works for athletes and performers.
6. Know who **your customer** is and what needs they have that your business will fulfil. For example, if you are a jazz singer looking to do backing vocals, you are a freelancer and your customers may be TV producers, session bands or even touring bands who are auditioning backing singers.
7. Know your **unique selling point (USP)**. With creative businesses, the USP is often the very gift or skill of the creative individual: the singing skills (talent) of the freelance backing singer; the sculpting skills (talent) of the craft store owner; or the graphic and design skills (talent) of the small production house owner.

USP is not just a unique selling point, however. USP is hooked into the need of your customer.

Charles Revson, the legendary founder of the Revlon makeup company, said his **USP** was *hope*. He believed he was selling *hope*, rather than products, that would make his customers beautiful. Think about this and the oblique but smart logic behind his thoughts.

8. Understand **basic marketing** and how this is relevant to your offering. So, for example, if you are a videographer looking to freelance at weddings is your marketing just word of mouth?

No! Marketing is your product, that is the quality of your work; the price you charge; how you deliver yourself; and promotion. It is **product, price, place and promotion** – the **4 Ps**. Understand them and base your marketing plan around them. It is a common misconception that marketing is only promotion.

9. Have an understanding of **basic business structure**. If you are a freelancer, are you a company or a sole trader? Are you registered for VAT or do you fall below the threshold?

If you set up a quick and easy structure now it could cause you problems later as the business launches on a growth trajectory.

The creative sector is full of freelancers and small businesses, so sole traders are common, but you need advice on what structure fits you, your goal and your personal circumstances. This may make your eyes glaze over, but it is integral to ensuring your business is structured for commercial protection and success.

10. **Financials**. You need an understanding of how you are going to make money if you are looking to commercialise your creativity. You don't need to be a financial expert as there are many resources available to help you. We will cover this in greater detail later.

*

Run through the list and see how much progress you can make. If you address each of the points above, you will have a sufficient **business plan** to make a start.

A SOUND FOOTING FOR YOUR BUSINESS

How do you put your business on the right footing for growth from the very beginning, to give yourself the best chance of becoming that next great creative entrepreneur? How do you become the Simon Cowell, Sir Paul Smith or Sir Terence Conran of your niche?

There are three key prerequisites to growing your start up creative business from day 1 that don't involve balance sheets, business plans or complex modelling systems. I will look at these now.

1. Have courage in your vision

I repeatedly find the same things lacking in companies that are struggling to grow; it is a psychological impediment related to a lack of courage. From our early lives, there is a lot of negativity surrounding feelings of uncertainty or being mistaken about something. We then lack the courage to attempt new or unusual ventures. This leads to a collective, subconscious lack of courage in society, resulting in an anxiety that prevents individuals from starting businesses, or holding back their growth if they do.

You need to have a belief in your **vision**. If you don't even have a vision yet, you don't have anything to believe in. So you need one.

We all know people who are going to start a business *one day*, marketing their crafts or putting their videographer skills into commercial practice at weddings and functions, but they never do. They are talkers, but they lack courage. They also lack clarity. I happen to believe that never starting is more of a failure than starting and falling short.

Did Simon Cowell lack the courage to rebuild a business when he was broke 15 years ago and had to move back in with his parents? No. He had the courage to start again and build the empire he presides over today.

So write down your **vision** – your **foundation** – own it, and espouse it everywhere you go. This **vision** brings you clarity and manifests your dream day by day, giving you courage that this is not just a dream but a real business concept and a potentially commercial reality.

2. Assess the need

I often read questions such as “What is the magic formula for knowing if my product or creative business concept will be a success?”

This can be addressed by asking “What is the need?” and “Do you have the desire and the heart to serve that need?”

If there is no immediate or visible need for your product, that doesn't necessarily preclude it. Ten years ago who knew we needed iPhones and iPads? No one except Steve Jobs who, as we know, saw the need and made people realise they had that need. He educated through clever marketing that tapped into basic desires.

Do you want to serve a need?

Do you know what need you are serving?

If you answer yes to both, you have a solid business foundation.

3. Coach, mentor or friend

Most successful creative sector entrepreneurs have someone to engage with, someone who they bounce ideas off and from whom they can obtain an objective opinion. It's what all successful people in the world do, across all fields, not only the creative sector.

Who has ever heard of an athlete winning a race without a coach or training, or an actor in Hollywood or on the West End stage without a director and a team beside him or her, and who doesn't do rehearsals?

Success doesn't come in those fields without mentoring, coaching and support, and it won't come without them in business either. You need

a mentor who can provide you with clear, objective counsel and train your business skills and personal mindset.

Businesses are spoilt for choice in the UK as there are so many places to turn for help. Whatever your budget, even if it is nonexistent, there is help in the form of mentors and coaches, and even objective family and friends.

Obtaining advice and filling the gaps in your own knowledge strengthens your mindset and business skill base. Strengthening your mindset and business skill base trains you for success.

Thirty7 Productions

Thirty7 Productions is an independent theatre, film and media production company headquartered in London, with production offices in Cardiff and Los Angeles. Its focus is primarily theatre and film projects, and television production.

Owned by Scot Williams and Eric Woollard-White, Thirty7 benefits from Scot and Eric's network of contacts and experience, built up over 40-plus years of collective working in film, theatre, television and business. This puts the company in a strong position financially, with good access to investment and excellent relations with studios, theatre and broadcasters.

Thirty7 is unique as there are few truly independent boutique production companies in the UK. Being such a company allows Thirty7 to take on projects which are creative, edgy and make a valuable contribution to the creative industries.

www.thirty7productions.com

Alyssa Smith Jewellery

ALYSSA SMITH IS A 26-YEAR-OLD jewellery designer from Hertfordshire. In the past year her company has been a finalist for or won over 15 national business or accessories awards. It is also a favourite jeweller to the stars as Dawn Porter, Suzi Perry, Caroline Flack, Emma Kennedy, Gail Porter, Sienna Miller and Jason Bradbury have all appeared on and off the screen wearing Alyssa's creations.

Alyssa's handcrafted work has been hailed by countless publications, including the *Guardian*, the *Sunday Express* and *Bride* magazine. In the March 2012 issue *Start Your Business* magazine she was named alongside Facebook's Mark Zuckerberg as one of the top 20 young entrepreneurs worldwide.

Alyssa is a great example of a growth entrepreneur because she has achieved these global and celebrity accolades from her studio in Hertfordshire where she works alone to supply her worldwide demand.

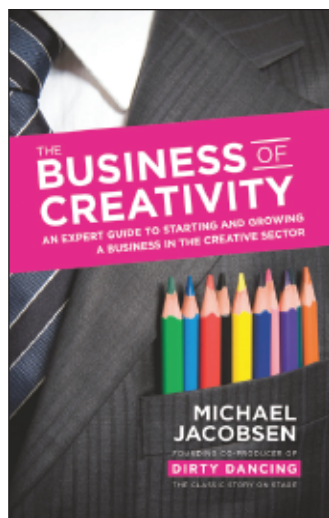
This is a perfect example of *doing it from your spare room*. What an amazing creative sector entrepreneur!

www.alyssasmith.co.uk

The Business of Creativity

An expert guide to starting and growing a business in the creative sector

Michael Jacobsen



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