

How Creative SMEs grow

Modelling and measuring the lifecycle of growing businesses

Stockholm, 22 SEP 2008

Hugh Mason

Partner, Pembridge Partners LLP

www.pembridge.net

PEMBRIDGE



Coming Up

- Pembridge has worked with over 2,000 Creative SMEs in the UK, Singapore and Netherlands.
- A model for SME growth has emerged: SMEs seem to grow, or get stuck at, a series of distinct stages.
- It is possible to help SMEs that are genuinely motivated to grow to move through these stages quicker, and with greater confidence, than they could do on their own.
- It is possible to measure and predict the progress of SMEs objectively and so to allocate economic development resources rationally, on the basis of evidence.

PEMBRIDGE



Introducing Pembridge



Founded 2001 to help owner-managers of creative businesses to build and release value in their businesses. We help someone become a millionaire every 4-8 weeks.

In total: five partners + eight staff + 20 regional associates. People who have 'been there before' in Music, marketing services, TV, Film, Design ...

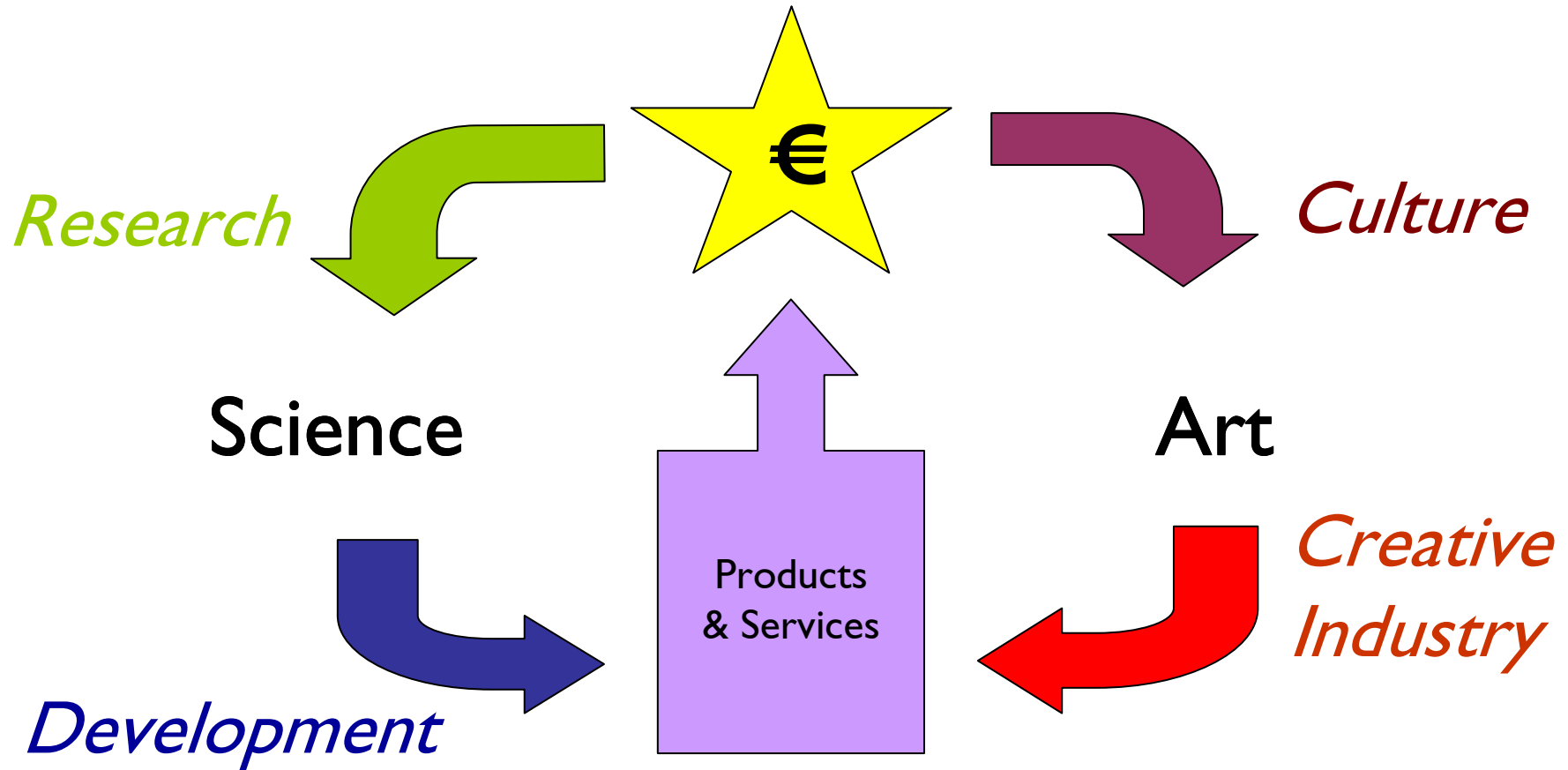
€30m+ raised or invested, 50 current engagements across Creative Industries

Active in Singapore, UK, Netherlands
2,000+ SMEs engaged

PEMBRIDGE



The Knowledge Economy



PEMBRIDGE



The Knowledge Economy



Science ←————→ Art

Technical I.P.

Aesthetic I.P.

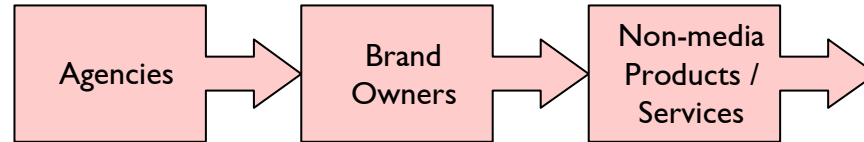
It's all about Intellectual Property

PEMBRIDGE



One model of value chains in the sector

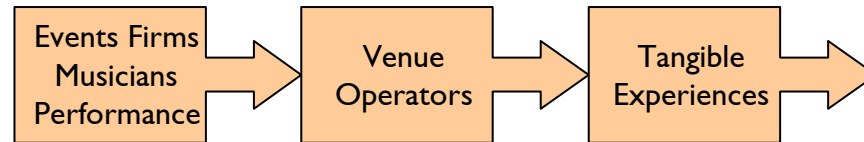
Creative Services Firms
Eg PR, Ad, DM, Design



Content Companies,
Eg TV, Film, Games, Online, Print



Created Experiences,
Eg Exhibition, Galleries, Sports



'Original' products
Eg Artisans, Fashion, Jewellery



Consumers

PEMBRIDGE



Creative SMEs say they want to grow ...



PEMBRIDGE



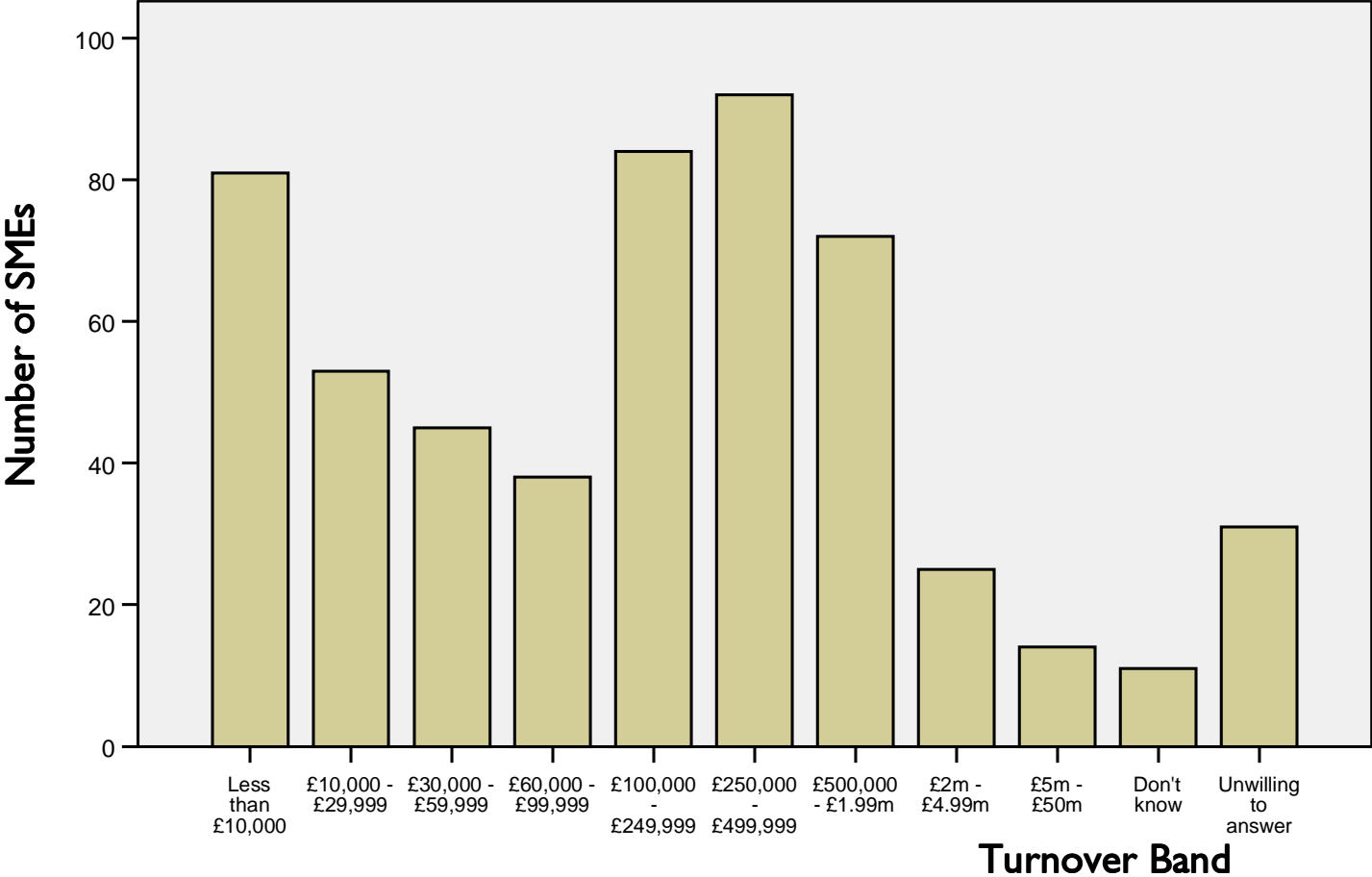
Similar issues across cultures and sub-sectors



PEMBRIDGE



Most SMEs get stuck trying to grow



PEMBRIDGE

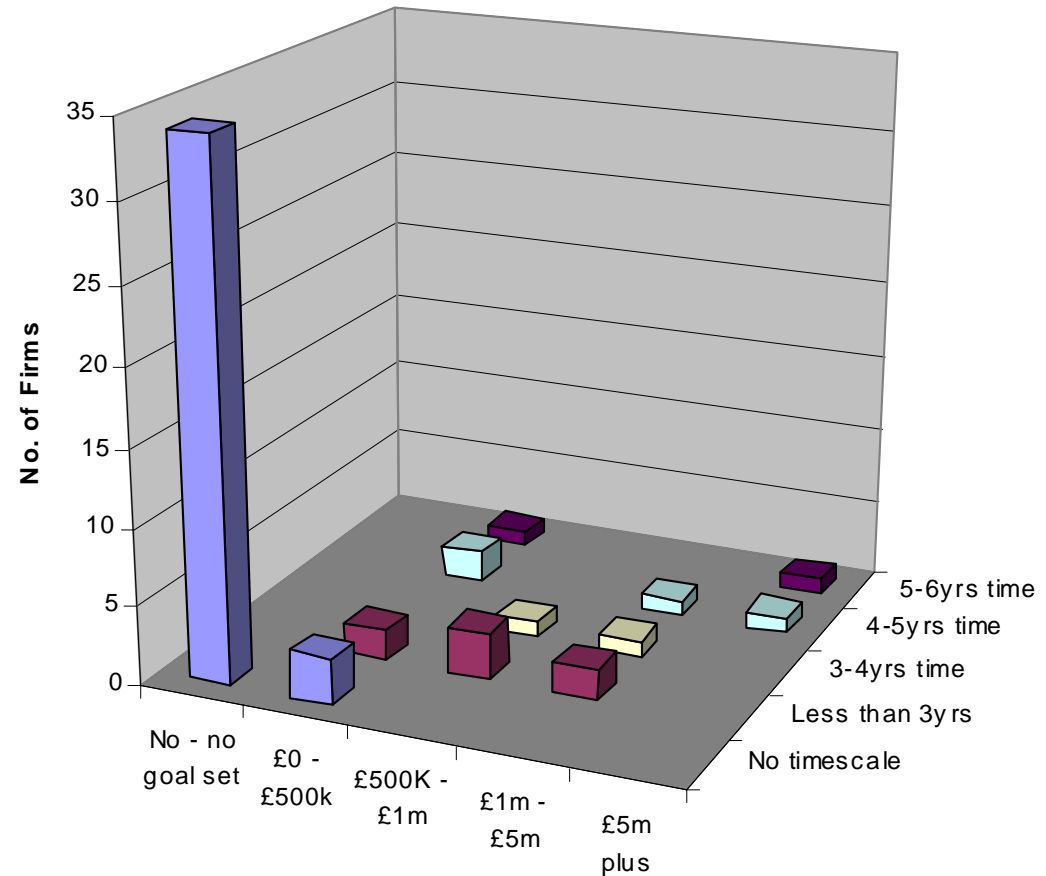


Why? Most SMEs don't really want to grow!

Inconvenient Truth:
Most Creative Industries
SMEs do not seem to have
commercial growth goals.

Eg ... in this survey of
North East UK film and TV
firms, >80% explicitly said
they have no commercial goal.

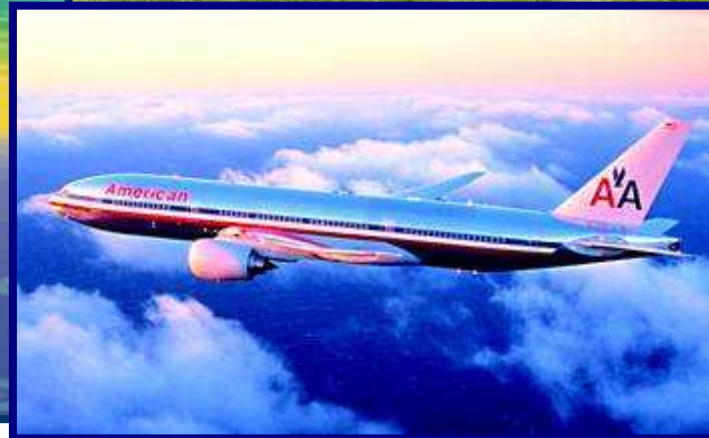
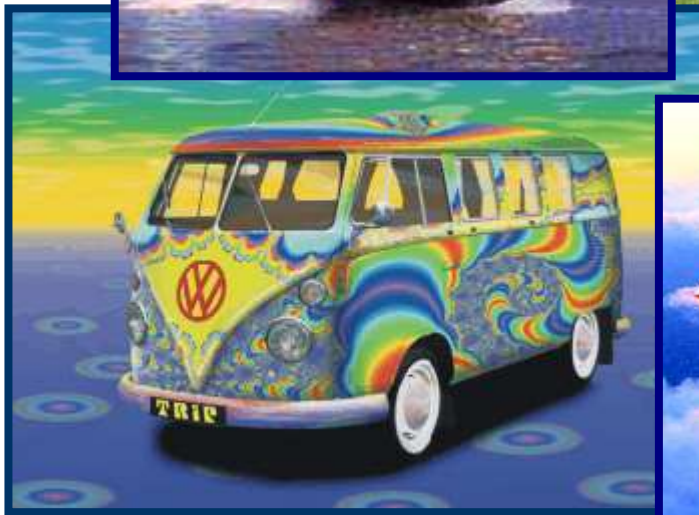
They are simply not on
the economic development
agenda. They are motivated
by social-or cultural wealth building.



PEMBRIDGE



It all depends on what you mean by 'growth'



PEMBRIDGE



We must be clear about the real agenda!

Doing great work

Cultural Wealth

Work focus: Fine Artists

... Art will happen anyway?

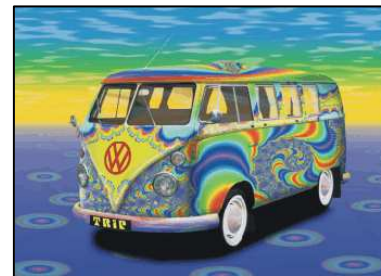


Building a better world

Social Wealth

Workplace/World focus:

Social Enterprise



Making money

Economic Wealth

Growth focus

Perhaps 5% of firms



PEMBRIDGE



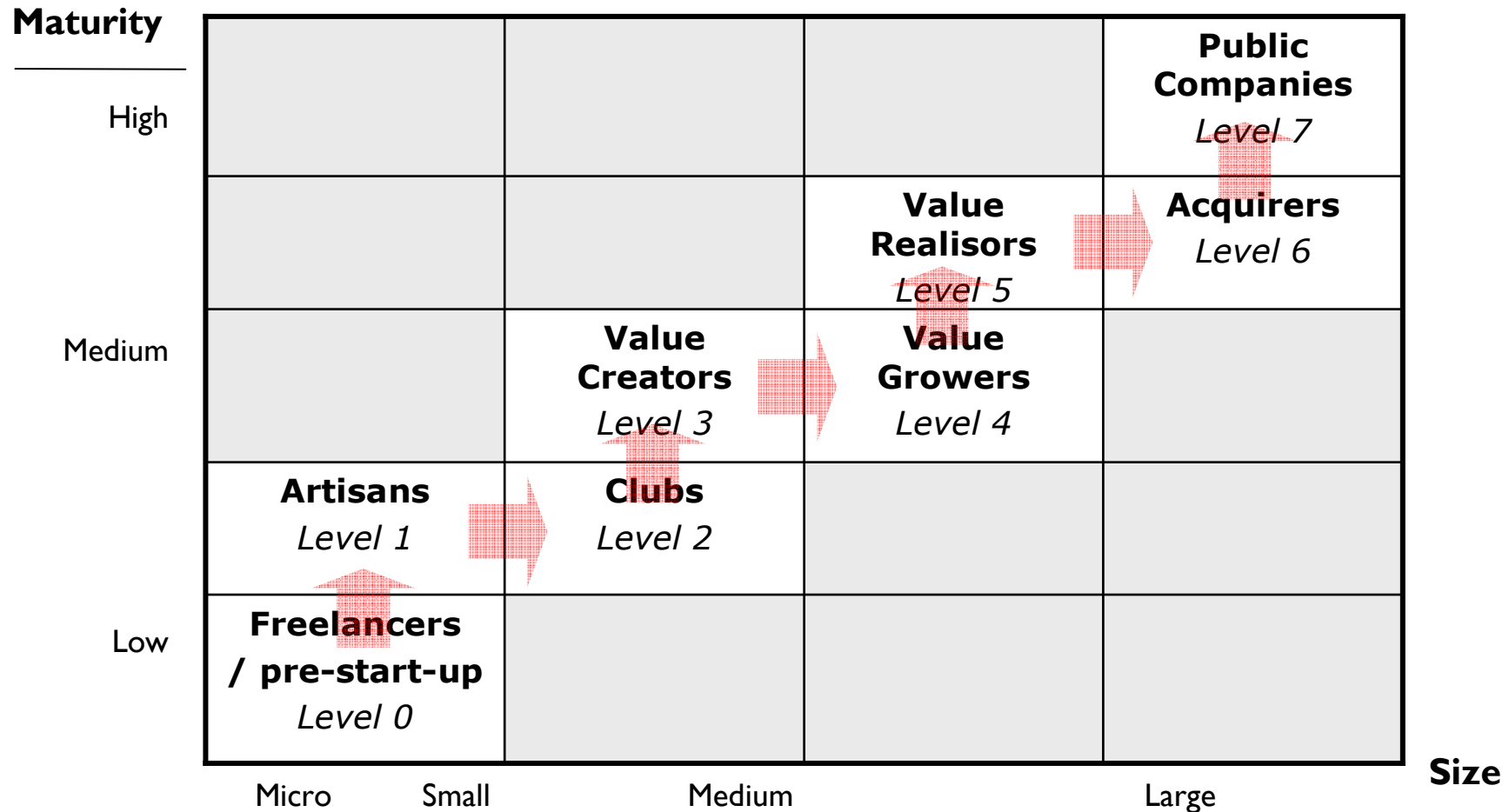
Challenges for public sector agencies



- Is the priority cultural, social or economic?
- How to identify which SMEs are going to deliver hard economic outputs?
- How to use that insight to allocate company development resources fairly and effectively?
- How to accelerate SMEs with the strongest commercial potential to achieve fast, visible, concrete commercial success?
- How to provide cost-effective, positive individual feedback to weaker SMEs?
- How to create a decision audit trail and measure the impact objectively?



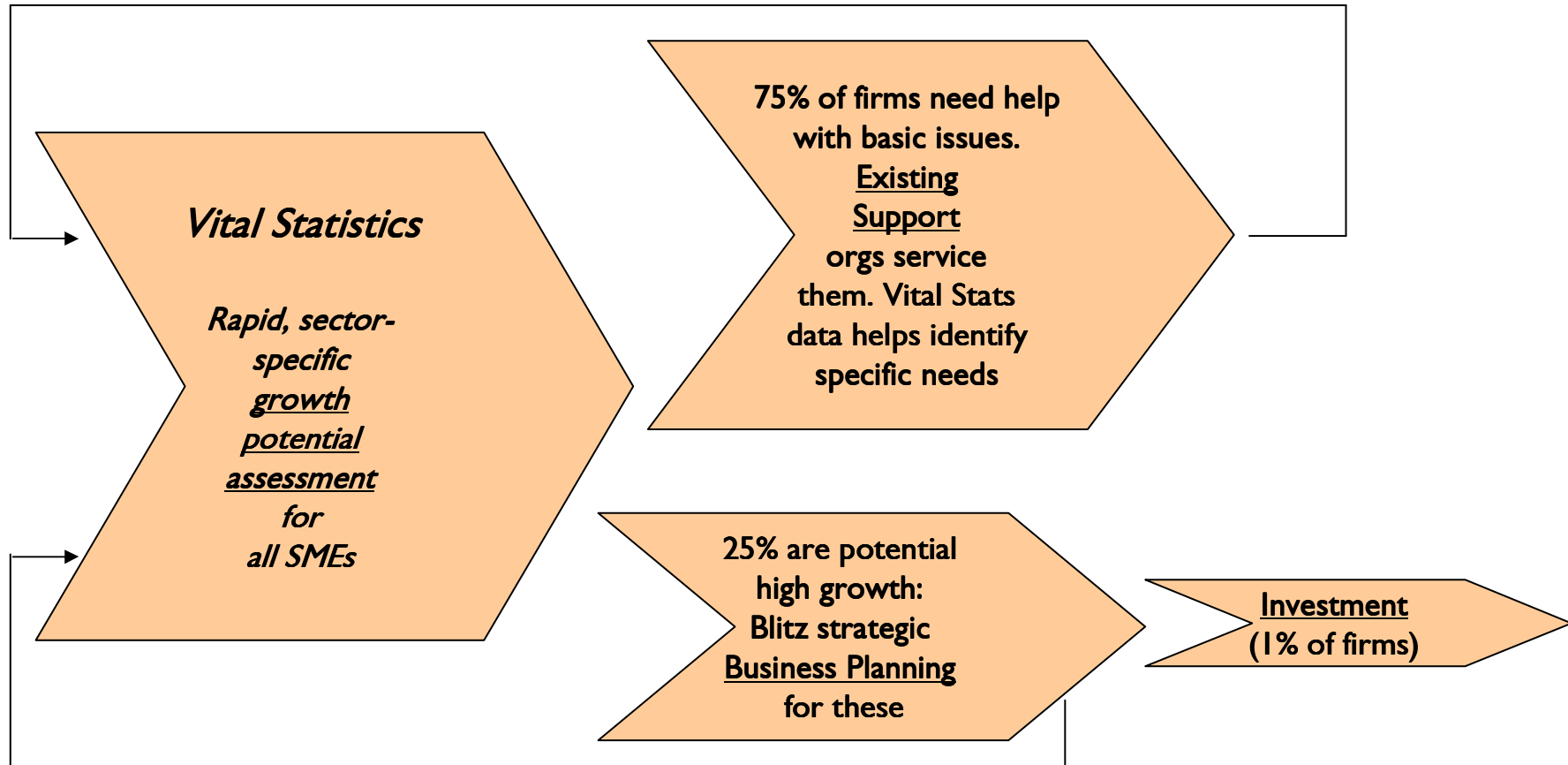
A model of SME growth



PEMBRIDGE



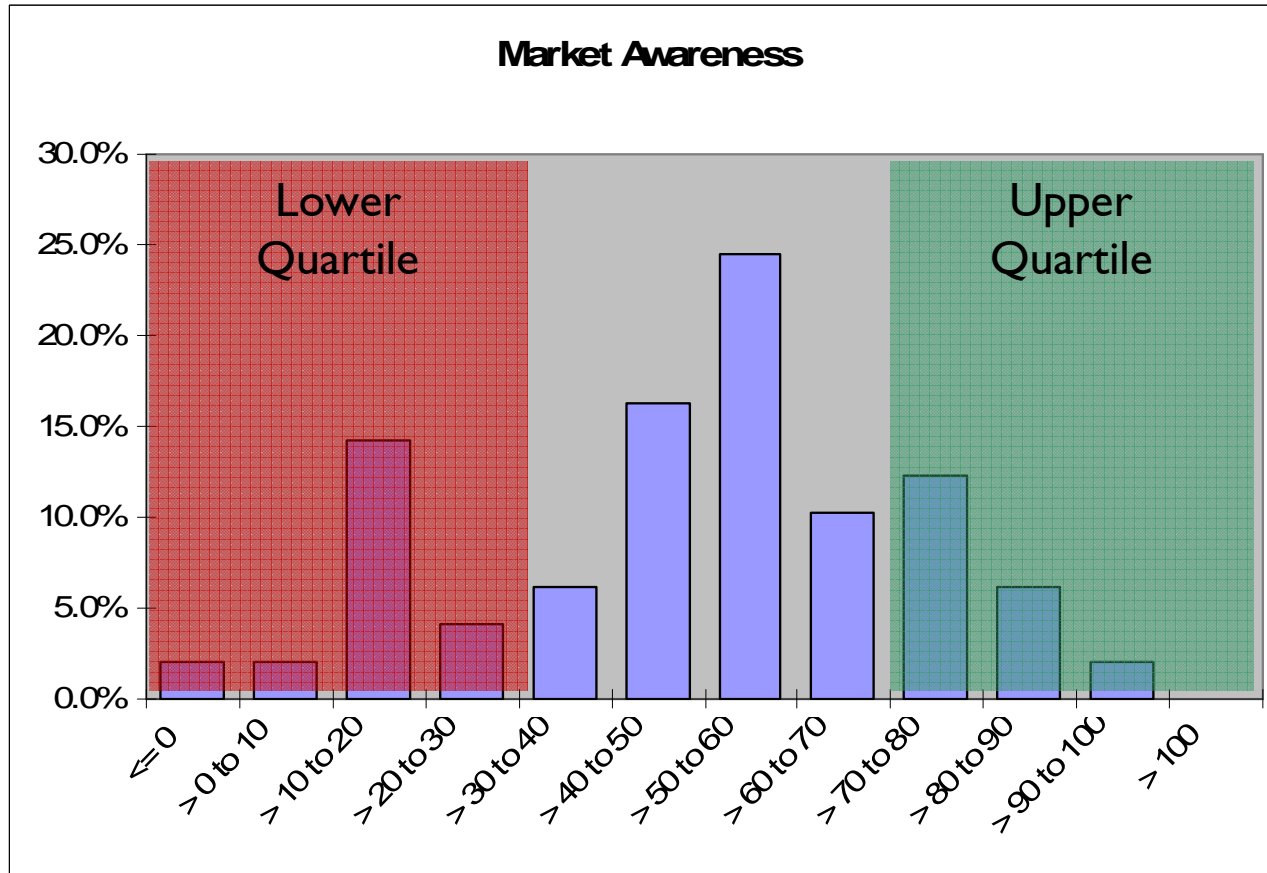
An evidence-based approach to manage growth



PEMBRIDGE



SMEs at different stages need different help

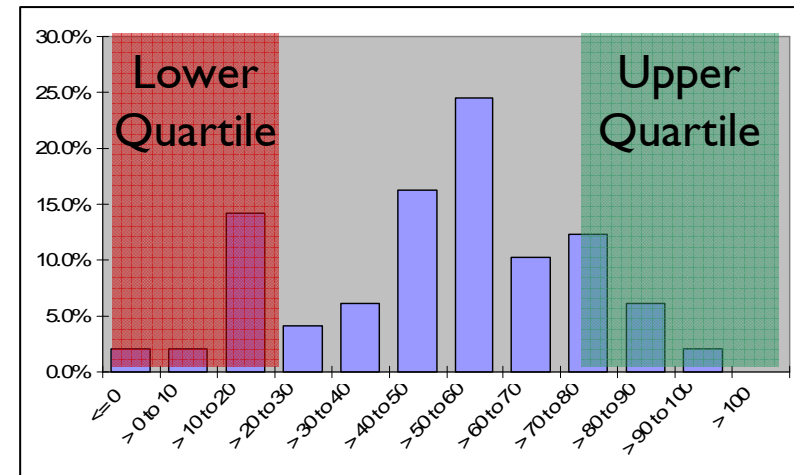


PEMBRIDGE



Some possible interventions to help SMEs grow

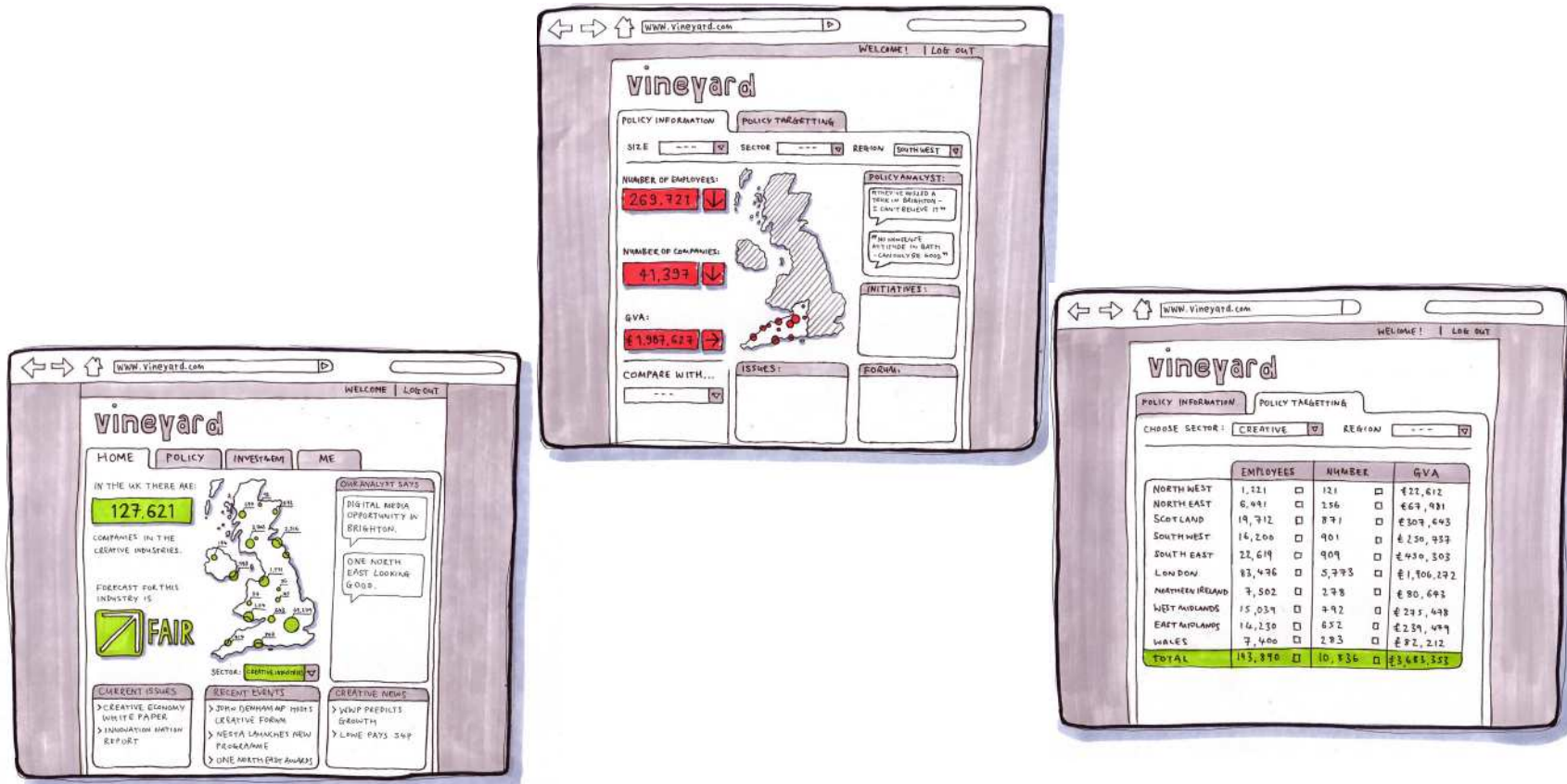
- One-on-one mentoring
- Surgeries
- Phone-based mentoring
- Workshops
- Know-how sharing lunches
- Cluster group events



PEMBRIDGE



Vineyard - Inspiring SMEs to try harder



PEMBRIDGE



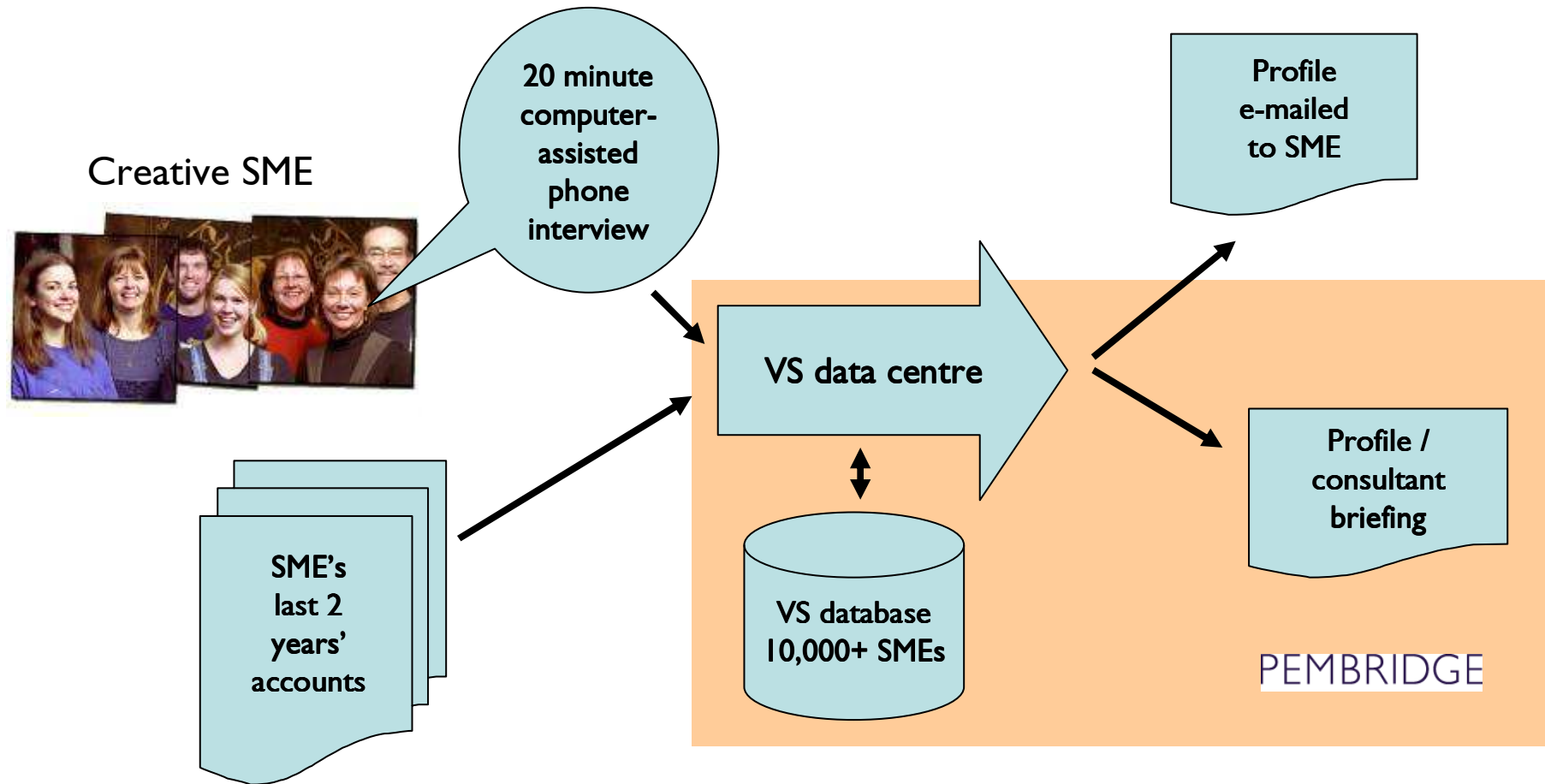
Bonus Slides!

- How *Vital Statistics* Works
 - Pembridge Public Sector partners worldwide
 - Strategic planning for high-growth SMEs
 - Detail on SME growth stages
-
- For more information, please contact:
hugh.mason@pembridge.net
www.pembridge.net
+44 8452 600 344

PEMBRIDGE



How *Vital Statistics* works



PEMBRIDGE



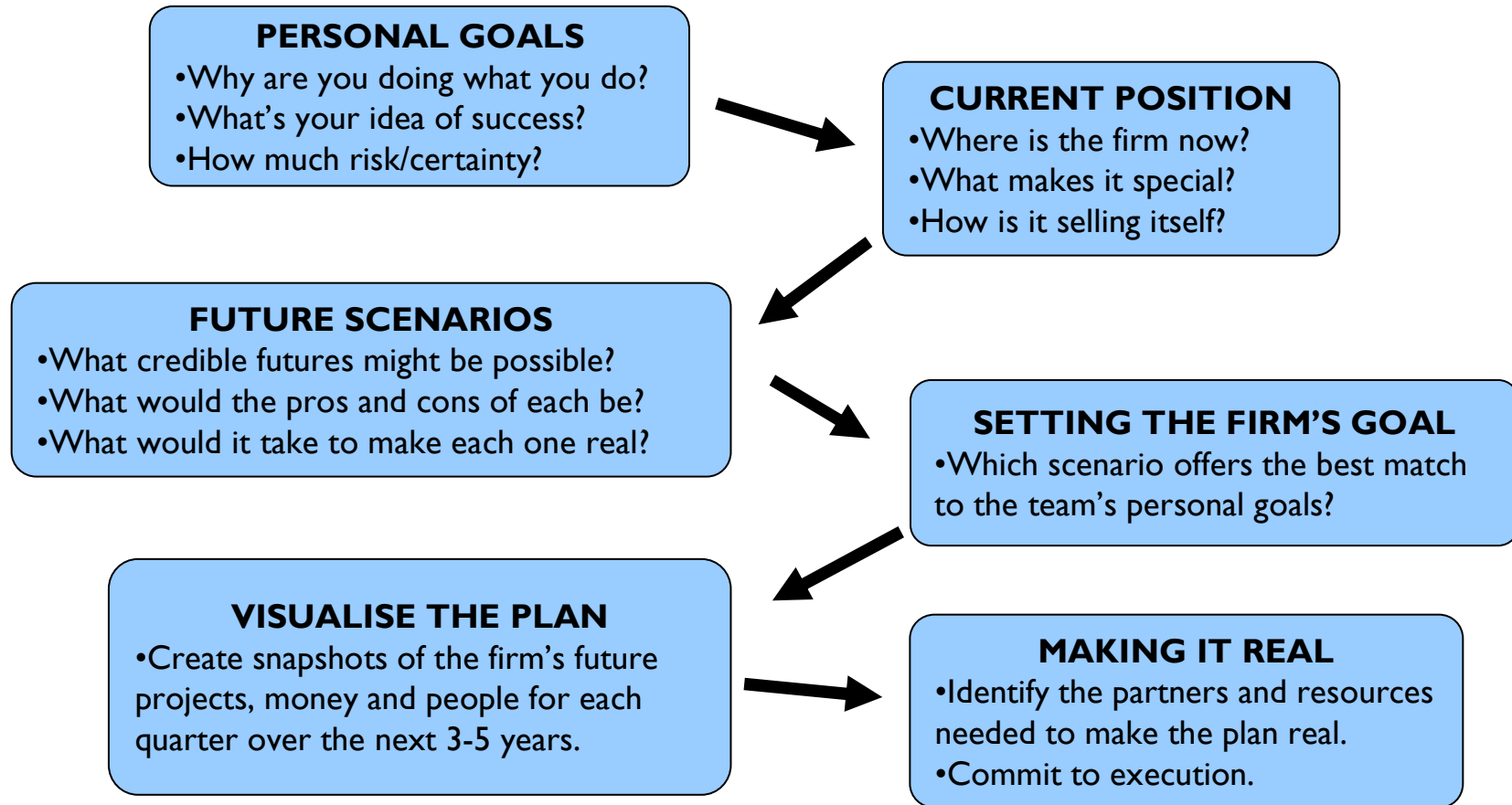
Pembridge Public Sector Partners worldwide

- Screen Yorkshire
 - NESTA
 - Media Training North West
 - North West Vision
 - Skillset
 - Northern Film and Media
 - Business Link for London
 - Skillset South East
 - Film London
 - Cheshire And Warrington Creative Industries Network
 - DCMS
 - South West Screen
 - Digital Central
 - Singapore Media Development Authority
 - WestmARC
 - University of Utrecht
 - CIDA Huddersfield
 - Creative Lancashire
 - Birmingham City University
 - Artsmatrix
 - G2i
 - NSTAR Design and Creative Fund
- Coming up:
- New Zealand Trade & Enterprise
 - SIPA, Thailand

PEMBRIDGE



Strategic planning for High-Growth SMEs



PEMBRIDGE



Level 0: Freelancers / pre-start-up

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 0: Freelancers / pre-start-up

- Requirement for basic business skills development, technical and creative skills, but key also to inspire entrepreneurial attitude alongside skills.
- History shows it's virtually impossible to spot winners at this stage but essential to do work here to feed the pipeline
- Danger of delivering numbers, not quality if you focus exclusively or too much on this group
- Mentoring can be appropriate here but doing it one-on-one is expensive. Group-based mentoring and peer-mentoring can be very effective. Cluster groups are an effective delivery channel

PEMBRIDGE



Level I: Artisans

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level I: Artisans

- 1-5 freelancers sharing space/resources
- It's a happy bonus to be paid: the focus is on work, not money. No 'equity value' being built as no structure
- Participants have yet to make the real commitment to each other and employees to grow something larger than themselves. Hard to add value until they decide to commit.
- The same kind of mentoring and skills development as is appropriate at Level 0 can be appropriate here and, drawing on the medieval model of apprenticeship, Master Artisans may be very well placed to mentor those entering the profession at the next level below them through peer-to-peer mentoring.

PEMBRIDGE



Level 2: Clubs

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 2: Clubs

- Distinguished by have employees, but stalled/low growth – lifestyle focus - a model that won't scale
- Little / no process even if great work. Owners still work IN the business, not ON it
- These SMEs prevaricate about the future, worried about taking risks of growth, especially about losing their culture
- Can be inspired through role models, cluster groups, or an investment readiness program can help an SME bypass this stage altogether.
- The management team of an SME seeking to grow beyond this stage needs intensive mentoring to feel confident to take the significant risks involved in growing to become a business that builds value in the business that is bigger than the people who founded it.

PEMBRIDGE



Level 3: Value Creators

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 3: Value Creators

- Have the ambition and prepared to take the actions required to grow
- Starting to understand Process and to use advisers appropriately. Make Decisions, eg Will Fire A Client
- Founders have made a crucial transition: they have decided to work ON the business, not IN it.
- Typically this is the stage at which SMEs first try to write a proper business plan, something they almost always need mentoring help to do as it's so difficult to tell your own story in isolation.
- Many SMEs falter at this stage because the culture of the business and the role of the key individuals in it change so profoundly. Very rare for companies to make the transition from Club to Value Creator without mentoring.

PEMBRIDGE



Level 4: Value Growers

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 4: Value Growers

- Management team knows the numbers
- Owners less hands-on with Clients
- Innovation Happens
- The cultural and personal/professional changes involved in becoming a value-creating business typically take a year or so to bed down, even with support from a mentor
- At first, new skills are needed for an SME to put in place systems (accounting, sales, HR, etc).
- Focus then shifts to growing value. Mentoring from an individual with the strategic vision to help the management team understand big picture is critical.

PEMBRIDGE



Level 5: Value Realisors

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 5: Value Realisers

- Established Business Model
- Single Focus for management team – the end game
- Support requirement is for mentoring to understand a series of business issues that take them beyond the day to day issues of trading and running a business into areas such as corporate finance, mergers and acquisition, or fund-raising.
- External legal advice and wealth management mentoring becomes relevant too.
- Further down the management structure there is need to put in place skills auditing, training programmes, formalised job skills descriptions etc.

PEMBRIDGE



Level 6: Acquirers

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 6: Acquirers

- Mature firms confident about their sustainability
- Board concerned with big picture strategy, not tactics
- Major employers, rocks in the economy, trainers for industry (whether they like losing employees to competitors or not!)
- In such a business, typically the people at the heart of the business must themselves become mentors, guiding the management teams of the companies they acquire. Learning mentoring skills is a new requirement for CPD at the top level

PEMBRIDGE



Level 7: Public Companies

			Public Companies <i>Level 7</i>
		Value Realisors <i>Level 5</i>	Acquirers <i>Level 6</i>
	Value Creators <i>Level 3</i>	Value Growers <i>Level 4</i>	
Artisans <i>Level 1</i>	Clubs <i>Level 2</i>		
Freelancers / pre-start-up <i>Level 0</i>			

PEMBRIDGE



Level 7: Public Companies

- Major skills development factories for industry through formalised skills development structures, links with Higher Education etc
- Businesses at this level have the resources (and the need) to take a strategic interest in Skills Development and have fully-resourced HR departments
- The management teams of public companies typically employ mentors at many levels to coach their staff.
- At the most senior level, management consultants and/or non-executive directors may provide executive mentoring.

PEMBRIDGE

