How Creative SMEs grow
Modelling and measuring the lifecycle of growing businesses

Stockholm, 22 SEP 2008

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www.pembridge.net
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.
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
The Knowledge Economy

Research

Science

Development

Products & Services

Culture

Art

Creative Industry

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The Knowledge Economy

It’s all about Intellectual Property

Science ↔ Art

Technical I.P. ↔ Aesthetic I.P.

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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, Poss Sports*

**‘Original’ products**
*Eg Artisans, Fashion, Jewellery*

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**Agencies** → **Brand Owners** → **Non-media Products / Services**

**Producers Developers** → **Publishers Broadcasters Aggregators** → **Media Products**

**Events Firms Musicians Performance** → **Venue Operators** → **Tangible Experiences**

**Designers Makers** → **Retailers Distributors** → **Tangible Products**

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**Consumers**

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**PEMBRIDGE**
Creative SMEs say they want to grow ...
Similar issues across cultures and sub-sectors
Most SMEs get stuck trying to grow

- Turnover Band
  - Less than £10,000
  - £10,000 - £29,999
  - £30,000 - £59,999
  - £60,000 - £99,999
  - £100,000 - £249,999
  - £250,000 - £499,999
  - £500,000 - £1.99m
  - £2m - £4.99m
  - £5m - £50m
  - Don't know
  - Unwilling to answer

Number of SMEs

- £5m - £50m
- Don't know
- Unwilling to answer

- £250,000 - £499,999
- £100,000 - £249,999
- £30,000 - £59,999
- £10,000 - £29,999
- Less than £10,000

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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.
It all depends on what you mean by ‘growth’
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

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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

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Public Companies</th>
<th>Value Realisors</th>
<th>Value Growers</th>
<th>Artisans</th>
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An evidence-based approach to manage growth

**Vital Statistics**
- Rapid, sector-specific growth potential assessment for all SMEs

- 25% are potential high growth: Blitz strategic Business Planning for these

- 75% of firms need help with basic issues. Existing Support orgs service them. Vital Stats data helps identify specific needs

- Investment (1% of firms)
SMEs at different stages need different help

Market Awareness

- Lower Quartile
- Upper Quartile
Some possible interventions to help SMEs grow

- One-on-one mentoring
- Surgeries
- Phone-based mentoring
- Workshops
- Know-how sharing lunches
- Cluster group events
Vineyard - Inspiring SMEs to try harder
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:
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  www.pembridge.net
  +44 8452 600 344
How *Vital Statistics* works

![Diagram showing the process of how Vital Statistics works]

1. **Creative SME**
   - Profile mailed to SME
   - Profile / consultant briefing

2. **VS data centre**
   - VS database 10,000+ SMEs

3. **20 minute computer-assisted phone interview**
   - SME's last 2 years' accounts

4. **Profile e-mailed to SME**
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
Strategic planning for High-Growth SMEs

**PERSONAL GOALS**
- Why are you doing what you do?
- What’s your idea of success?
- How much risk/certainty?

**CURRENT POSITION**
- Where is the firm now?
- What makes it special?
- How is it selling itself?

**FUTURE SCENARIOS**
- What credible futures might be possible?
- What would the pros and cons of each be?
- What would it take to make each one real?

**SETTING THE FIRM’S GOAL**
- Which scenario offers the best match to the team’s personal goals?

**VISUALISE THE PLAN**
- Create snapshots of the firm’s future projects, money and people for each quarter over the next 3-5 years.

**MAKING IT REAL**
- Identify the partners and resources needed to make the plan real.
- Commit to execution.

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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
## Level 1: Artisans

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Level 1: 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 Artistans may be very well placed to mentor those entering the profession at the next level below them through peer-to-peer mentoring.
# Level 2: Clubs

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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.
# Level 3: Value Creators

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### Notes:
- Level 0: Freelancers / pre-start-up
- Level 1: Artisans
- Level 2: Clubs
- Level 3: Value Creators
- Level 4: Value Growers
- Level 5: Value Realisers
- Level 6: Acquirers
- Level 7: Public Companies
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.
Level 4: Value Growers

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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.
## Level 5: Value Realisors

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Level 5: Value Realisors

- 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.
## Level 6: Acquirers

| Artisans  
| --- | Value Creators  
| Level 1 | Level 3 | Value Growers  
| | Value Realisors  
| | Level 5 | Acquirers  
| Level 6 | Public Companies  
| | Level 7 | Freelancers  
| / pre-start-up | Level 0 | Clubs  
| Level 2 |
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
## Level 7: Public Companies

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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.