Arts Entrepreneurship

*Arts Entrepreneurship: Creating a New Venture in the Arts* provides the essential tools, techniques, and concepts needed to invent, launch, and sustain a business in the creative sector. Building on the reader’s artistic talents and interests, the book provides a practical, action-oriented introduction to the business of art, focusing on product design, organizational planning and assessment, customer identification and marketing, fundraising, legal issues, money management, cultural policy, and career development. It also offers examples, exercises, and references that guide entrepreneurs through the key stages of concept creation, business development, and growth. Special attention is paid to topics such as cultural ventures seeking social impact, the emergence of creative placemaking, the opportunities afforded by novel corporate forms, and the role of contemporary technologies in marketing, fundraising, and operations.

A hands-on guide to entrepreneurial success, this book is a valuable resource for students of Arts Entrepreneurship programs, courses, and workshops, as well as for early-stage business founders in the creative sector looking for guidance on how to create and sustain their own successful venture.

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Arts Entrepreneurship

Creating a New Venture in the Arts

Richard S. Andrews
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Preface

A student filmmaker launches her own production company. An independent musician develops a career with multiple income streams. An arts educator creates an organization that encourages young learners from underserved communities to stay engaged in school. An art and technology major is hired to work for a company that helps connect visual artists with active collectors.

These are just a few examples of students who have made arts entrepreneurship part of their education and, eventually, their professional lives. Based on my experience teaching courses and workshops on arts entrepreneurship at UC Berkeley and elsewhere, this book aims to provide students with the knowledge, inspiration, and guidance to build their own company – or design their own career path – upon the foundation of their artistic talents and interests.

“Artists are the ultimate entrepreneurs.”1 As an area of study, arts entrepreneurship covers a wide range of topics, from business concept development to cultural policy issues, marketing strategies, fundraising techniques, legal areas, and financial management tools. Arts Entrepreneurship: New Venture Creation for Artists is designed to offer a useful, engaging introduction to each of these areas. The chapters present basic concepts, working methods, and valid business techniques while opening pathways for further exploration.

The contents for each topic are presented in a practical, straightforward manner. Many students prefer practical training in arts entrepreneurship because of the way this type of instruction contrasts with their other coursework. Other students prefer practical learning in order to immediately put their new knowledge and skills to work in the formation of a creative business, or in the building of a career in the arts.

This is not to say that theoretical discourse about arts entrepreneurship is less useful or necessary. On the contrary, there are number of good resources that investigate this area, especially those found in Artivate: A Journal of Entrepreneurship in the Arts2 and the International Journal of Arts and Entrepreneurship.3 The practical approach to arts
entrepreneurship found in this book offers a complementary perspective to these and other texts focused on theory and conceptual interrogations. There are many facets of arts entrepreneurship worth studying – students should explore all of those that align with their needs and interests.

Each of the chapters in this text can be studied in any order that works with the reader’s instructional program, although starting with Chapter 1: *What Is Arts Entrepreneurship?* is highly recommended because it addresses the fundamental issues around connecting the founder’s personal values and goals with a viable business concept. The *Planning and Assessment* chapter (Chapter 2) emphasizes the many benefits realized through the careful design and objective analysis of an arts venture. It also lays out the basics for creating your own Business Plan, which is a project you can go back to and develop after reading the other chapters. Creating an engaging, comprehensive Business Plan can be a key goal for Arts Entrepreneurship students aiming to apply their knowledge in the formation of their own creative business.

The *Marketing* chapter (Chapter 3) introduces both market research and the development and execution of strategic marketing plans. The rapidly evolving area of digital marketing (via websites, social media, email, and text/SMS) is explored, while readers are encouraged to develop links between their unique product or service and their target consumer. Chapter 4 on *Fundraising* focuses on contributed income for the nonprofit arts organization, while the *Money Management and Entrepreneurial Finance* chapter (Chapter 6) discusses how to attract investments, manage budgets, and produce essential financial reports. Chapter 5, *Legal Issues*, covers a wide range of topics such as corporate formation, intellectual property and risk management.

Chapter 7 on *Cultural Policy* will be especially useful for business founders looking to establish an international venture, or one that operates in multiple countries. Like social entrepreneurship, international arts entrepreneurship is an area that interests many students. Results from an online survey published in D’Art Report 48 by the International Federation of Arts Councils and Culture Agencies (IFACCA) offer some intriguing data on “sectors of arts and creative industries that are most suitable for starting up entrepreneurial ventures.”

Respondents to the survey ranked sectors as follows:

- music and sound recording (73 percent)
- visual and applied arts (72 percent)
- performing arts (62 percent)
- crafts (62 percent)
- design (61 percent)
- cultural heritage (60 percent)
- fashion (50 percent)
- film (45 percent)
video (34 percent)
publishing (33 percent)
multimedia art (33 percent)
animation (28 percent)
computer games (27 percent)
architecture (22 percent)
others (11 percent)\textsuperscript{6}

The final chapter on *Organizational Design, Career Development, and Future Trends* (Chapter 8) presents a number of ideas for organizational development and job seeking, along with suggestions about where arts entrepreneurship might be headed in the future.

With a dynamic, quickly developing area such as arts entrepreneurship, it is challenging to identify and incorporate the “best” or “optimal” strategies and resources for designing, launching, and sustaining a new venture. Web links become broken, technologies are replaced by new inventions, and news articles, interviews, and case studies emerge that reshape our understanding of – and approach to – entrepreneurial endeavors in the creative sector. This is the reason why each chapter’s Notes section contains a (mostly) modest number of citations, while readers are encouraged in the main body of the text to undertake their own online research using suggested search terms, or others they can imagine. To develop a more fully rounded picture of each topic, online research should be combined with in-person interviews, site visits, and further study. The wealth of new ideas, tools, and materials for arts entrepreneurship will continue to grow and change – students should discover how to conduct their own research at an early stage so they can keep learning and developing along with the field. That said, the sources listed in the Further Reading and Notes sections at the end of the chapters include a number of key texts that should be consulted when undertaking a thorough exploration of arts entrepreneurship’s main elements.

Business founders and arts managers have a number of interests in common: they need to understand concept development, marketing, fundraising, legal issues, financial management, organizational structure, and human resources in order to successfully manage their responsibilities and keep their business on track. The overlap between Arts Entrepreneurship and Arts Management as topics of study means that there will necessarily be some areas in this book that will also be useful for aspiring arts managers. This is in fact a necessary – and desirable – situation, since many of my Arts Entrepreneurship students have used the training found in this text to start their careers by working for existing organizations in the arts before launching their own venture. *Arts Entrepreneurship: New Venture Creation for Artists* can help the reader develop their own creative business – it can also help students become employable in the arts as a step towards reaching that goal.
How will this book help you actually become an arts entrepreneur? The answer depends on the degree of effort you apply to reading, thinking about, discussing, and acting upon the information and recommendations provided in the text. Applied learning can be the most daunting – and rewarding – part of becoming a new business owner. Much of your potential for success will hinge upon the quality of your business concept and your own ability to deliver a creative product or service that addresses the genuine needs and interests of consumers in your target market. But much also depends on your ability to quickly learn from – and respond to – the success or failure of your early experiments in product design and delivery. The practical ideas, tools, and techniques presented in this book are the launch pad for your aspirations in the formation of an arts-related business – their value lies in how they are understood and used in the creation of your new venture.

Notes
1  See www.inc.com/samuel-bacharach/art-and-entrepreneurship.html
2  See https://artivate.hida.asu.edu/index.php/artivate/index
3  See http://ijsse.org/index.php?option=com_content&view=article&id=67&Itemid=63
5  Ibid., p. 3.
6  Ibid., p. 3.
I would like to convey my deep appreciation for the people who made this book possible. Thanks to Professor Peter Sahlins of UC Berkeley for the opportunity to create and teach my first undergraduate course on French/U.S. cultural policy at the UC Center Paris. Thanks to Dr. Leigh Smith, Alan Roberts, and Dr. Carl Jubran at The Institute for American Universities and Marchutz School of Fine Arts in Aix-en-Provence for the opportunities to present guest lectures and conduct an introductory workshop on the formation of arts-related businesses. Special thanks to Dean Anthony Cascardi of UC Berkeley for the chance to develop and teach my undergraduate course on Arts Entrepreneurship. Thanks to Stacey Walker and everyone at Taylor and Francis for their patience and support. Thanks to Robert Pimm for his expert advice and counsel. Extra special thanks to my wife, Virginia, for her continued encouragement, help, and understanding.

My parents George Donald Andrews and Jacalyn Andrews gave me the inspiration to explore and appreciate creative work and the confidence to make it a significant part of my own life. This book is dedicated to their memory.
1 What Is Arts Entrepreneurship?

The term entrepreneurship can be interpreted and applied in many different ways depending on the ambitions, skills, and opportunities available to the artist or founder of an arts organization. In this chapter we explore the meanings of entrepreneurship as a concept and as a set of behaviors. How can entrepreneurial thinking and action be employed to produce measurable results that link the business owner’s values with the needs of the marketplace? How has entrepreneurship been understood in the past, and what are the current and future prospects for applying entrepreneurial techniques to new business concepts? How is arts entrepreneurship distinctive in its approach to business design, launch, and sustainability? How does an organization’s location, size, and intended community shape the entrepreneurial activity pursued by the company’s founders, supporters, investors, and other stakeholders? Conceiving of a novel business idea is a crucial starting place for launching a new venture. However, a successful entrepreneur must also develop that idea, test it in the marketplace, use customer feedback to make refinements and adjustments, and work toward creating a viable business capable of growth and sustainability.

Definitions of Entrepreneurship

The Merriam-Webster dictionary tells us that an entrepreneur is someone who organizes, manages, and assumes the risks of a business or enterprise. Management consultant Peter F. Drucker emphasizes entrepreneurship’s role in creating change and introducing new business concepts and practices that replace older models:

Entrepreneurship rests on a theory of economy and society. The theory sees change as normal and indeed as healthy. And it sees the
major task in society – and especially in the economy – as doing something different rather than doing better what is already being done. That is basically what [French economist Jean-Baptiste Say], two hundred years ago, meant when he coined the term entrepreneur. It was intended as a manifesto and as a declaration of dissent: the entrepreneur upsets and disorganizes. As [Austrian American economist] Joseph Schumpeter formulated it, his task is “creative destruction.”

Texts about entrepreneurship in theory and practice will often mention disruption as a key component in designing and launching a new venture. This is particularly true in the tech world, with examples such as Google, Facebook, and Amazon creating enormous changes in social and economic behavior. Industry disruption often implies the introduction of entire new ways for consumers to interact with one another and make purchases that satisfy their needs. Examples include Netflix disrupting the previous market for videotape rentals, Uber, Lyft, and other ride services displacing conventional taxi companies, Airbnb capturing market share from hotels and motels, and Amazon displacing traditional “brick and mortar” retail outlets for transactions involving a wide range of products and services.

Although disruption and “creative destruction” are certainly key factors in the entrepreneurship examples listed above, they are not the only ways to think about entrepreneurship, especially for an artist or founder of an arts organization. How might a skilled musician, actor, dancer, designer, or other creative individual imagine themselves as an entrepreneur in the formulation, launch, and sustained operation of their business concept? It is not always necessary for the arts entrepreneur to embrace disruption as a key element of establishing a new venture. For example, a photographer might decide to launch a new company based on teaching digital photography techniques to young learners from the nearby community. A new online business could offer web-based sales of fine art from a collection of artists whose work examines political and social issues. A composer and performing musician might create a new organization providing original music for commercial applications such as radio, television, live events, or web broadcasting. These types of businesses can follow many of the principles of entrepreneurship without needing to displace existing organizations or cause “creative destruction” within the economy. The arts entrepreneur does need to organize, manage, and assume the risks of the enterprise, as presented in the Merriam-Webster definition. Beyond handling risk, however, arts entrepreneurs must also work toward connecting their own values, passions, and long-term commitments to their creative practice with measurable consumer interest in their products or services in order to establish a new venture and allow it to thrive. Art entrepreneurs have the freedom to decide what their new venture is based on, where it is located, and
whom it is for. They also have the freedom to choose what type of entrepreneurship they want to pursue, either through disruption and “creative destruction” or through the introduction of a new business that finds a home in an existing marketplace alongside – and even in collaboration with – similar organizations.

Developing a Business Idea

Developing a Business Idea Based upon Personal and Professional Values

How does one define a business concept that will provide a specific product or service to a target market and ultimately achieve growth and sustainability for the long term? For the arts entrepreneur who has already found employment in the creative field of their choice, it can be a natural next step to develop a new venture based on their real-world experiences. For example, a film student who has worked as an intern or part-time employee in an established film distribution company might design their own venture around what they have learned through direct exposure to established business practices in that field. Creating a new business based on your experience as an employee of an established arts organization can turn out to be an efficient and well-conceived pathway to launching a new venture. This approach – finding employment in your area of interest with an established arts organization before launching your own business – might be worth considering for a newly graduated student looking to gain experience and mentorship as an intern, employee, or volunteer. However, not everyone has the opportunity to work for an established firm in their area of interest before developing a new business concept of their own.

In the *Business of Art* workbook by the Center for Cultural Innovation (CCI), we find a series of three exercises designed to help the artist or prospective owner of an arts organization define their business concept by first exploring their personal and professional values. The aim is to create a foundation of values from one’s personal and professional life that will support the creation of a new venture. For example, the values of community building, creative inspiration, and opportunity generation could form the basis for a new venture focused on teaching artistic skills to people in the business owner’s immediate neighborhood. Or, the values of personal expression, international relationships, and cultural exchange might help shape the creation of a new business that brings cultural products, such as music, painting, and photography to foreign destinations. The next exercise in the *Business of Art* workbook asks us to imagine our future lives and describe in some detail where and how we might want to live in the future. The aim of this exercise is to articulate a vision for our future selves in both professional and personal terms. By writing down
specific goals for our professional and personal lives, the vision exercise helps us create an actionable plan that guides decisions affecting both business development and our quality of life. The third and final step is to take the results from the exploration of values, along with the goals and ambitions identified in the vision exercise, and write a brief, clearly composed statement that is informed by the insights provided by the first two steps. This vision statement – and future versions of the statement that become increasingly relevant as we make progress toward the goals we have established – serve as a guiding light that leads us into a future where our values and ambitions shape the key decisions in our personal and professional lives.

In *The $100 Startup*, author Chris Guillebeau presents three lessons that can be applied to the entrepreneur’s process for identifying a business concept and turning it into a sustainable venture:

1. **Convergence**: The intersection between your passion and what others care about. This is where the arts entrepreneur seeks a connection between their creative practice and the interests of the marketplace. For example, a skilled visual artist who works with pen and ink drawings could easily spend time making art purely for the enjoyment of the process. The convergence lesson requires that an artist who seeks to build a business must find a connection between their chosen art form and the interests of the potential consumer.

2. **Skill transformation**: Turning your talents into a business concept. As the owner of an arts-related venture, you will need to make use of many different kinds of skills. The ability to develop and distribute creative products and services is just one of them. You may also need to develop skills in communications, accounting, and managing other people. This lesson emphasizes the importance of using your existing skills, or developing new skills, to serve the needs of your growing enterprise.

3. **Passion or skill plus usefulness equals success**: This lesson presents us with a formula for creating a business concept that directly links the founder’s interests and abilities with the perceived value of product or service being offered to the market. Success is possible, the author tells us, when we design a business around the combination of a business owner’s abilities with the customer’s perception of how the company’s products can improve their lives.

The planning exercises and lessons described above, along with others you can discover through research, will produce some early-stage written material. You can use the results of these experiments to produce a framework for designing a business concept – and a life that is designed intentionally around it – that are both grounded in your genuine interests and capabilities and positioned to attract customers for the long term.
Finding a Business Opportunity

There are aspiring arts entrepreneurs who begin with a thoroughly developed business idea that connects their passions and skills with a well-understood market to deliver a product or service that is likely to succeed. Others are driven by their desire to produce and distribute their own creative work, but have not yet identified the business model they will need to establish a new company. There are also those who have too many ideas for arts-related businesses they might some day want to create. In each case, the ability to identify a business opportunity and establish a new venture in that space requires a combination of experience, imagination, and willingness to learn from the data generated by customer feedback.

As mentioned earlier in this chapter, some arts entrepreneurs will develop their idea for a new business based on their current or former position working for someone else. An employee of a fine arts gallery, for example, might choose to open a gallery of their own by using the many practical lessons found working for an existing organization. Other arts entrepreneurs will launch a new venture without the benefit of previous experience as an employee in a similar business. In either case, finding a business opportunity means identifying the intersection between the founder’s interests and the public’s willingness to engage in the new company’s products or services.

In his influential book *The Lean Startup*, author Eric Ries recommends the entrepreneur work quickly to produce what he calls a Minimum Viable Product. The aim is to test this prototype, even if it has some design flaws, to see if it can capture the interest of consumers and serve as a foundation for business growth. In software development, this method can be used to build and test early-stage beta versions of an application before it is refined and ready for wide distribution. For the arts entrepreneur, the Minimum Viable Product could be a small-scale version of what might eventually become the larger vision for the business. For example, an arts education business could start with a very small number of students to experiment with instructional content and measure customer response levels. Ries describes what he calls the “build-measure-learn” feedback loop. The idea is to rapidly create a prototype without excessive planning or development, test the product with customers to understand its likelihood for success, then learn as quickly as possible what works and what doesn’t. The *learning* is the key to launching and growing the sustainable business. Ries uses the term “validated learning” to describe the process of measuring and understanding the customers’ needs and wants in relation to the product category and the specific value delivered by a unique product. Validated learning seeks to demonstrate empirically that a new venture has discovered some basic truths about their customers and that the business concept delivers value to those consumers.
In *The $100 Startup*, Chris Guillebeau suggests developing a product that you yourself would want to purchase. He describes the creation of value in terms of delivering what the customer actually wants, not what the business owner thinks the customer wants or should have. For example, the founder of a new venue for live music might want to create a nightclub featuring the latest in electronic dance music. However, the patrons in the immediate neighborhood and surrounding region might actually want an intimate concert space for world music, jazz, and acoustic singer-songwriters. Adapting to the needs and interests of the marketplace may take the arts entrepreneur into areas of business opportunity they may not have considered at the outset. Responding to customer preferences and adapting to customers are something every business owner needs to consider if the venture is to find a reliable base of support for the long term.

How does an arts entrepreneur identify and pursue a business opportunity? There are several ways to approach this question. One method is to conduct market research in the prospective business owner’s immediate vicinity to map out which areas of creative enterprise are already fully covered by existing businesses. Studying your local environment for music, photography, theater, or other visual and performing art forms can help clarify opportunities for the introduction of a new venture. Another technique is to interview friends, family, and colleagues – people who have known you well for an extended amount of time – and ask them to describe how they perceive your creative interests and skills. These interviews can provide insights into your recognized artistic abilities and could provoke some interesting business ideas from your network of contacts, some of whom may end up supporting your new venture as investors or consultants. Another method is to reach out to highly experienced professionals in your field of interest and ask for their advice on where current and future opportunities for a new business might be located. For example, an arts entrepreneur looking to create a new theater company could contact managers at established venues in the region to explore opportunities in the local market. Each of these methods, or a combination of all three, can generate ideas for a new arts-related business and reveal opportunities worth exploring.

**Evaluating and Managing Risk**

As indicated in the Merriam-Webster definition of entrepreneurship found at the beginning of this chapter, the entrepreneur is responsible for identifying and managing all of the risks associated with the new venture. The types of risks encountered during the idea formation, business launch and growth phases of an arts-related organization will differ, depending on the nature of the company and its relationship to investors, customers, and other stakeholders.
Examples of risks managed by the arts entrepreneur include:

- **Financial risk**: Managing the money that flows into and out of the business is one of the key responsibilities of the founder and their designated accounting team. Working with investors or lenders to find money for the business development, launch, and growth cycles means taking on all of the bookkeeping and reporting requirements associated with those agreements. Receiving payments from customers or contributions from a crowdfunding campaign obliges the business owner to fulfill the expectations associated with those transactions. Entering into contracts or other agreements with suppliers, vendors, landlords, or outside service providers means paying bills on time and maintaining good credit. Attracting employees to a new business means following through on all commitments for salaries, benefits, and incentives, such as annual bonuses or stock options.

- **Reputational risk**: The act of creating a new business and introducing it to customers will produce not only brand awareness for the venture but will also establish an identity and reputation for the owner and other people associated with the organization. The reputation of a business can be very positive and contribute to the success of the venture if the product or service being offered meets or exceeds the expectations of the consumer and if the overall operation is conducted in an ethical manner. Organizations that disappoint customers with false advertising, low quality products, or any type of dishonest behavior will suffer the consequences and be replaced by a different company whose positive reputation attracts the interest of consumers and the media.

- **Legal risk**: There are many rules and regulations that must be followed to stay in compliance with the numerous legal obligations that go along with owning a business. These include tax filings, insurance, corporate reporting requirements, workplace safety, employee relations, maintaining a business license, and other responsibilities. There are also a variety of laws associated with intellectual property that must be respected. Finally, there is the possibility of a lawsuit being brought against the arts organization by a dissatisfied customer or supplier – or it may be necessary for the arts-related business to file a suit against someone else.

See Chapters 3, 5, and 6 on marketing, legal issues, and financial management, for more information on managing risk as an entrepreneur.

**Developing a Unique Product or Service that Addresses Customers’ Needs and Wants**

Once the arts entrepreneur identifies a business idea connected with their own creative practice or interests, and after that concept has been
evaluated with an understanding of opportunities within the intended marketplace, the next step is to gather customer feedback. The lean startup method described earlier encourages the entrepreneur to quickly develop a working prototype and measure customer engagement to study its potential. This can be done using focus groups, surveys, or interviews with individuals who are selected based on their likelihood of being early adopters of the new business’s products or services. The learning acquired through this rapid prototype development and early testing process will increase the business owner’s understanding of how the customer values the company’s offerings. For an arts entrepreneur, prototyping and testing a new business idea can be accomplished by developing a proof of concept and inviting selected consumers to give feedback. A visual artist could invite potential customers (found through social networks and other sources) to evaluate a series of fine art products and provide comments on their perceptions of its value. Details should include the product’s unique or noteworthy characteristics, its distinctiveness from – or resemblance to – other products in the market, and the consumer’s attitudes toward pricing, availability, and exclusive access. Performing artists, or entrepreneurs launching a new venue for creative work, can experiment with their ideas by presenting them as works in progress, in a pop-up environment or in an invitation-only setting. See Chapter 3 on Marketing for more ideas on understanding and connecting with the customer’s perception of value.

Marketing the Business

Using Early-Stage Market Research to Rapidly Iterate Product Attributes and Marketing Messages

As with the rapid prototyping and customer feedback techniques described above, the business owner should also try a variety of marketing messages and product descriptions to see what works best. Learning how customers perceive a product’s value through focus groups and interviews can be extended to discover the most effective language and visual representations to use when communicating with a broader audience of potential consumers. Working with “early adopters” as test subjects is ideal because these individuals are familiar with the overall product category and can offer suggestions based on their own experience. For example, an aspiring commercial photographer could invite a select group of potential clients to evaluate the new company’s graphic design concepts, marketing messages, web presence, and social media strategies. As with the product development iteration cycle, an arts entrepreneur can quickly learn how potential customers understand their product by testing marketing messages and refining them to produce the optimal results.
Communicating Product Benefits to Consumers

Clear statements of a product’s benefits to consumers are preferred to descriptions of the product’s attributes, qualities, or brand identification. Customers respond to convincing messages about how the product or service will make their life better or solve a specific problem. For example, an upcoming dance performance featuring artists from a foreign country could advertise the event as “a unique opportunity to experience dance from a rarely presented culture” as a statement of benefits for customers, rather than “an evening of music and dance” as a statement of the event’s main features. Some artistic products are more challenging to describe in terms of benefits to customers than others. What are the product benefits for an oil painting or original photograph? Take a look at how galleries and museums craft their marketing messages for exhibits and special events. Often the text and graphic images will tell the story of a specific artist (or art form) in a way that captures the interest of the potential customer. The benefits of a cultural experience, such as a concert or theatrical production, can be described in terms of the emotional and intellectual impact the production will have on the customer. Motion picture advertising, for example, will claim that an upcoming feature will “make you jump out of your seat” because of the powerful special effects used and the experiences the film will create.

Building the Business

Building a Team of Experienced Advisers and Partners

Although some arts entrepreneurs operate their venture by themselves, many business owners work as part of a team of individuals with specialized skills. The founder may have the creative vision and technical know-how for the new venture, while the partners may have practical experience in financial management, marketing, or product distribution. Some of the people involved in launching a new arts organization can operate as external consultants or advisors, rather than joining the company as employees. Recruiting, training, and managing full-time or part-time employees can add to the business owner’s workload and expenses, but the benefits are significant in terms of the staff’s dedication to the venture and everyone’s commitment to achieving success. Many startups are launched by teams that have been constructed in such a way that an outside investor or other supporter can easily understand how each team member contributes their individual strengths to create an efficient, sustainable business. To design an organizational structure and build a team of effective employees, start by creating job descriptions for the different roles needed for the business to operate. An art gallery might require a small staff of experienced sales people, while a community theater would
need individuals with experience in lighting, scenery construction, sound, ticket sales, advertising, and directing or acting in a series of plays for a season of performances.

Building Brand Awareness and Market Demand Through Existing Networks

In his book *The Art of the Start*, author Gary Kawasaki suggests approaching the marketplace through a series of steps that reach out to potential customers who are defined by their readiness to try out – and become advocates for – a new product and the business responsible for it.\(^6\)

Potential customers are described using terms first developed by Everett M. Rogers and F. Floyd Shoemaker in their book, *Communication of Innovations: A Cross-Cultural Approach*:\(^7\)

- **Innovators**: Those who seek novelty and risk and who want to acquire new products before anyone else.
- **Early adopters**: People who sense intuitively that the new product will serve their needs and who aren’t afraid to try something that hasn’t been widely distributed.
- **Early majority**: These customers follow the examples set by the innovators and early adopters and acquire products that have been validated by experts, media reviews, and recommendations from their peers.
- **Late majority**: Consumers who lack the confidence to try untested products and wait until they have achieved mass acceptance.
- **Laggards**: People who are turned off by new products and only buy them when they have no choice.

An arts entrepreneur can use this framework for building brand awareness and growing customer demand by starting with known innovators and early adopters. Study your network of contacts – including social media, email, and anyone you might know socially or professionally – to identify individuals who might fit the profile of an innovator or early adopter of the product your business is developing. Be prepared to use their early-stage feedback to make adjustments to the product. You might even introduce radical changes if these valuable customers offer useful suggestions (see the *build-measure-learn* feedback loop described above).

The innovators and early adopters from within your network can also be critics, columnists, reviewers, and other media figures who have a strong interest in discovering new products and telling their readers about them. In this way, your first customers can not only provide useful information about how your product is understood and valued, they can also become advocates for you and your business as you work toward approaching the early majority and late majority consumers. For example, a new film festival can invite movie critics from the local media to previews of featured films to generate interest and (hopefully) spread the word to a broad
base of customers through print and online media. An app developer can contact experienced, established developers to evaluate the product and suggest improvements or add their voice to the chorus of supporters who want to help promote innovative work. A fiction writer can distribute an early draft of a new short story to friendly authors, critics, and media contacts to gather positive input (and potentially usable quotes) for their marketing efforts.

Design of the Business Launch

The introduction of a new product – and the business responsible for it – creates a unique opportunity to attract attention, especially in traditional media such as newspapers, radio, and magazines. Of course, social media channels are also very appropriate for product launch announcements or invitations to special events such as a gallery opening, the first performance of the new theatrical work, or the introduction of a new arts education program. Events attract media interest because they are considered newsworthy and therefore good candidates for exposure in editorials or other published commentary.

The arts entrepreneur should carefully design the product launch to build interest over time, especially in the weeks before the event takes place. Like the marketing messages prepared for a crowdfunding campaign (see Chapter 4 on fundraising), the business founder and other team members should brainstorm a wealth of material designed to capture the attention and interest of potential customers. This can include photos, illustrations, videos, email and e-newsletters, social media postings, and text messages. It is important to get the timing of these announcements right. When Apple is about to announce its next generation of iPhones, they keep certain design details secret while others are leaked to reviewers and online tech advocates. When Pixar rolls out a marketing campaign for its next animated feature, it positions a broad range of advertisements and sneak previews to reach its customer base. For a new arts-related business, the launch can be a simple, focused effort that attracts people to a grand opening event. Starting with a small-scale occasion for a new product is fine as long as it attracts the right kind of potential consumers, such as the innovators and early adopters described earlier. From there, the organization can build its audience and expand awareness and engagement through word-of-mouth and regular communications with its growing customer base.

Planning for Business Growth

One of the risks of attracting too many people at an early stage of the business is the possibility of disappointing customers because of problems with production, distribution, or quality control. For example, if an arts
entrepreneur launches a crowdfunding campaign with the goal of finding approximately 100 supporters but ends up attracting over 1000, there may be some serious challenges in producing and distributing the project’s rewards and other deliverables on time. An arts-related company that relies on overseas manufacturing can run into problems if orders for their products suddenly increase at the same moment their incoming merchandise is delayed during shipping or customs inspection. A performing arts venue that sells out all available tickets and turns away large numbers of potential customers might consider expanding to a larger venue or opening an additional nearby location to satisfy demand. Each type of business – whether providing cultural experiences, artistic products, or creative services, such as education – needs to examine their ability to scale their operations in a way that maintains their brand identity and preserves their customers’ perception of value received in the transaction.

Some entrepreneurs set very ambitious goals for market share and customer engagement. In the tech sector, for example, a software company might develop plans for attracting customers initially in the hundreds, then in the thousands, and eventually in the millions. This type of venture can be very attractive to investors because of the potential for significant returns on their financial support. Arts entrepreneurs can follow this path if it is appropriate to their business model and specific product. However, many arts entrepreneurs aim to develop a business that achieves success on a smaller scale. Even in the case of an arts venture that only strives to attract customers in the dozens or hundreds, there needs to be advance planning so the business grows while meeting – or preferably, exceeding – the expectations of consumers. See Chapter 2 on planning and assessment for some ideas on business stability and growth.

**Refining Business Operations to Eliminate Inefficiency and Waste**

In its pre-launch phase, a new business is free to experiment with the many choices available for operational issues, such as the cost of goods, expense levels for space rental and staff salaries, budgets for marketing campaigns and fundraising efforts, and other fixed and variable costs involved in running an organization. However, once the business is up and running, there needs to be careful supervision of the income and expense details. This is especially true for an arts venture working toward early-stage growth in its first 3–5 years. One of the ways to increase efficiency and manage profitability is to use cash flow projections (see Chapter 6 on budgets and financial management) to anticipate future financial activity and implement business decisions that contribute to the ongoing viability of the business. For example, an artist making and selling limited edition fine art prints might begin the business by selling each piece for approximately twice the cost of production, including printing, framing, and delivery. Over time, the artist could negotiate with service providers
for printing and framing to charge lower costs per unit for higher volume orders. As the business grows, the artist can work toward selling each piece for three to four times the cost of production, thereby increasing profitability over time.

In the performing arts, there is less likelihood that the cost of each concert, play, or dance production will be significantly reduced by the quantity of performances, although expenses for sets and costumes can be amortized over time to decrease their cost per performance. In this case, profitability can be increased through higher ticket prices, lower expenses for operational categories (such as marketing or space rental) or by increasing contributed income (from grants, gifts, and other donations) to underwrite the performances and retain more of the earned income realized from ticket sales. There can be some efficiencies and income sources to consider, such as a theater company renting out its scenery, costumes, and lighting equipment to other organizations during its off-season, or a classical music ensemble developing and rehearsing a program of music for a local performance and then touring with that same program to other locations. Even if the arts organization is a nonprofit venture, the manager must accept responsibility for keeping the business financially stable and able to produce income in excess of expenses over time.

Another approach to increasing efficiency and eliminating wasted effort and time is to follow the lean startup method for product development and testing. In the section on Finding a Business Opportunity, we considered the Minimum Viable Product (a no-frills prototype that demonstrates some essential value to potential customers) and the build-measure-learn cycle that helps the entrepreneur refine, work through and choose among different versions of the proposed product or service. This approach places the emphasis on discovering truths about consumer interest while reducing or eliminating any other expenses – including marketing, aesthetics, or even product finalization – until the business owner has learned how the customer perceives the product’s value. Categorizing all other expenses as extraneous or wasteful might seem extreme, but it does focus attention on measurable, reliable data upon which to build a business. This technique might be suitable for the arts entrepreneur who is designing a product or service that needs many opportunities to evolve, change, and iterate before discovering the best ways to connect with consumers and support long-term sustainability.

**Measuring the Product’s Success and Likelihood of Reaching a Broader Audience and Growing the Business**

How will your arts organization measure success? The answer to this question can vary greatly depending on the objectives you are trying to achieve. An arts education business might set a target of growing its customer count from 50 students in Year One to 500 students in Year Five. If this type
of arts organization intends to become a nonprofit, or chooses to work through a fiscal sponsor to attract grants and other financial support, the measure of success may very well be the number of students who participate in the program and the company’s overall ability to continue serving more members of its community. On the other hand, a digital marketplace that sells original photography to collectors may set specific financial targets for its first year of operation and for future years. These goals might be driven by the founder’s desire for personal financial rewards, as well as the expectations of investors who support the new venture through its startup phases. In either case, reaching a broader audience and growing the business are important factors in establishing a sustainable venture.

The ingredients for creating a company that can develop a successful product and reach a growing number of customers include:

- designing a unique product or service that genuinely connects with the needs and desires of a target customer base;
- raising awareness of the product’s availability and desirable features through marketing and other initiatives;
- raising funds and hiring a collaborative team to build a solid business foundation for the venture’s intended growth;
- developing and adhering to a set of key values and principles that guide the organization’s formation, operations and expansion.

Cash flow projections (mentioned above) can serve as a framework for evaluating an organization’s current levels of success and its potential for long-term viability. Chapter 6 on budgeting and financial management describes how to incorporate data about the organization’s real-time financial activity (known as actuals) into a budget projection. This allows the business owner to analyze the venture’s financial performance and discover areas where the business has exceeded expectations ... or fallen short of the mark.

### Understanding Pivots and When to Employ Them

The term pivot is found frequently in books and articles about entrepreneurship. It refers to a process, or decision point, where the founder realizes that the time has come to make a significant change in some aspects of the product development, marketing strategy, or, in some cases, the direction of the entire company. A pivot is not an abandonment of the company’s overall values, goals, and objectives – it is a redirection of the organization’s process for accomplishing those aims. A basketball player making progress toward a slam dunk suddenly realizes the defense is overwhelming at that instant, so she places one foot firmly on the court and pivots 90° to send a pass to another team player who completes the drive with a successful, point-producing jump shot. The team’s overall goal of the accumulating points and winning the game is not abandoned, but the method of getting there has been flexible and responsive to the changing conditions discovered in the process. In business, a pivot serves the same purpose: perceiving and
responding to existing conditions, remaining flexible, adapting to circumstances as they evolve, and keeping the overall goal of success firmly in focus. Pivots come in a variety of types: some change the nature of the product itself, while others change the definition of the intended market or the methods of reaching targeted customers. A company creating and selling custom textiles might initially offer designs featuring only the most contemporary patterns and color palettes. However, close observation of the product’s performance and its market environment – including customer response research and published industry trends in sales figures – might inspire the company to try developing a product line that replicates vintage fabrics and classic designs. The company’s goals of offering appealing products and attracting customers have not changed, but the steps toward reaching those goals have been adapted to the realities of the market.

How does the arts entrepreneur decide when and how to use pivots to adapt to new information or changing circumstances and keep the business on track for success? As indicated above, keeping a close eye on the organization’s performance in terms of customer acceptance and overall sales is the key to evaluating if and when changes should be made to the product design, marketing program, or other aspects of business. Sales figures – calculated either daily, weekly, monthly, or quarterly – are relatively easy to study by inputting the data into the “actuals” column in the budget forecast spreadsheet. This information, along with the data for expenditures, will reveal any significant variances between the expected financial activity of the venture and its performance in the real world. Measuring customer acceptance and satisfaction requires another approach. Focus groups, in-depth interviews, surveys, and online questionnaires are some of the ways a business owner can gather data about customer attitudes toward a specific product and the overall company. Taking some time to carefully interview innovators and early adopters during your business startup phase will provide crucial information about the perceived value of your product and your customers’ opinions about the entire venture. Introducing these types of data acquisition and analysis tasks into your business startup cycles allows you to identify opportunities to pivot while the organization is still in its formative stages. The type (or multiple types) of pivots to initiate will depend on what has been learned from studying the company’s financial performance and customer responses. For more information on pivots, see the chapter on that topic in *The Lean Startup*, by Eric Ries.8

**Arts Entrepreneurship**

**Arts Entrepreneurship: Designing a Business Based on Your Long-Term Commitment to Creative Practice**

In this chapter we have explored some of the ways that arts entrepreneurship resembles other types of entrepreneurship. For example, the use of
pivots (described above) is a common feature of entrepreneurial thinking and behavior for tech and other industries. Likewise, well-established entrepreneurial concepts, such as disruption and lean startup methodology, can, in some cases, be very relevant to the formation and continued success of an arts-related business. There are, however, some special features of a business built upon the skills, practices, and ambitions of a trained, dedicated artist.

For someone who has invested considerable time in discovering and developing their artistic talents in drawing, painting, music, theater, dance, and a whole range of other cultural activities, the construction of a business around their creative practice may very well lead to a long-term commitment to sustaining both the enterprise and the art-making. This commitment – to both creative practice and business ownership – suggests a unique path for the arts entrepreneur relative to the trajectory sought by their peers in other industries.

**Arts Entrepreneurship with Open-Ended Ownership Versus Conventional Entrepreneurship with an Exit Strategy**

Many entrepreneurs in areas besides art build an exit strategy into their planning at the very beginning. There are several good reasons for this. For one, a startup that requires angel investors or venture capital to realize its planning, launch, and growth goals will often have an ending phase known as harvest. This is the final stage where the founders, financial partners, and other stakeholders reap their monetary rewards as the business either goes public or gets acquired by another company. The risks and sheer amount of work required to create a successful, sustainable business are reason enough, for some entrepreneurs, to insist on a significant payout as a predetermined end goal for their entire project. Other exit strategies, besides going public or selling the venture to another company, include merging with a competitor in the same market or dissolving the company and moving on to the next venture. Individuals who repeatedly start new businesses and end up selling them or closing them down to start another one are known as serial entrepreneurs.

Arts entrepreneurs can also follow this path if they so choose, developing a business with a predetermined exit strategy that delivers financial returns on their investments of time, effort, and capital. However, for the arts entrepreneur who is building a business based on their lifetime interest in a creative practice, or who want to offer an ongoing product or service in the cultural sector, the idea of an exit strategy is the opposite of what they may have in mind. Designing and launching a sustainable venture in the arts require the same levels of time and effort as any other entrepreneurial project, but the end goal for an arts entrepreneur may be very different than growing a business so it may be eventually sold
to someone else for a profit. The long-term viability of a venture for the arts entrepreneur is directly connected to their lifelong, deep-rooted connection to making and appreciating art. The relationships between a business concept in a creative field and the core personal values and beliefs of the founder are additional reasons why the arts entrepreneur may commit to an indefinite, open-ended responsibility for the organization and its continued success.

In their book *Arts Entrepreneurship: The Business of Art*, Joseph S. Roberts and Clark A. Green describe the motivations of an arts entrepreneur:

- They are passionate about the art form that interests them. This interest is not at all casual, but deep and abiding.
- They have a strong desire to spend their career making a living involved with their art form.
- They have a deep commitment to being the means by which the work of the artist is available to, and purchasable by, the public. In this respect, they realize that they are in business for the long haul. Most arts businesses do not lend themselves to the exit strategy of building a business over a limited number of years, and then selling or merging the business.

As you consider the options for arts entrepreneurship in your own work and creative life, think about the differences between growing a successful company in order to eventually cash out by handing over ownership to someone else, versus designing and running your own venture built upon the foundation of your long-term interests in artistic practice, cultural engagement, and community building.

**Entrepreneurship for the Arts-Related Organization Focused on Positive Social Benefits**

The primary difference between traditional entrepreneurship and social entrepreneurship is the intended mission.

This chapter began with an exploration of how a business owner’s personal and professional values can shape the creation of a new venture. For some arts entrepreneurs, the business concept will focus on delivering a unique product or service to a target market in order to achieve commercial success. For others, however, the goal is to address certain social problems or produce positive impacts for social conditions. The range of social conditions that an entrepreneur can choose to focus on has as much variety as the range of artistic practices that can be employed to address them. Social issues such as health, education, aging, the environment, immigration, and other important areas can be central to the ambitions of a founder launching a new arts-related organization. If, through the consideration of your personal and professional values,
you discover that creating a business that delivers positive social benefits is what you want to accomplish, then social entrepreneurship may be the best way to describe your venture.

Because the term social entrepreneurship covers many business models and a variety of business purposes, it does not lend itself to a single precise meaning or definition. Some founders of social entrepreneurship organizations seek 501(c)(3) nonprofit status from the Internal Revenue Service (IRS) in order to gain recognition as a charitable organization and qualify for grants and gifts, while others launch for-profit companies and incorporate social benefits into their mission over time.

Some of the possibilities for a social entrepreneurship venture include:

- a for-profit business seeking commercial success first, then social impact as a secondary priority;
- a for-profit business seeking social benefits primarily and placing financial rewards second;
- a for-profit business seeking both financial rewards and social benefits in equal measure;
- a startup forming as a for-profit company, but intending to acquire nonprofit status over time. In this case, the venture will adhere to its social benefits mission while it develops and operates its programs, both as a way to stay true to its core values and as part of the process of making a convincing application to become a recognized 501(c)(3) nonprofit corporation. For-profits can seek contributed income from grants and gifts by using a fiscal sponsor (see Chapter 4, Fundraising) as they develop and submit their application for nonprofit status.

For the arts-related organization intending to operate as a for-profit business, there is a special designation – known as a B-Corporation or Benefit Corporation – that identifies the company as one that places high value on positive social impacts. Another business form, known as L3C, or limited liability low profit company, is available in certain states for organizations that seek social impact over profits. See Chapter 5 on legal issues for more information on these corporate forms.

The principles and mission-based operational choices found in social entrepreneurship ventures do not preclude the necessity of maintaining financial stability and complying with the many rules and regulations that apply to all businesses, regardless of their motives. In other words, the arts entrepreneur who creates a social entrepreneurship organization must also assume responsibility for all of the risks associated with any type of new company. All startups, including socially responsible ventures, must successfully work through their planning, launch and sustainability phases and maintain focus on becoming established, viable businesses.
Some examples of arts-related organizations that have a social impact mission include:

- a community-based theater company launched in a disadvantaged neighborhood that seeks to involve local residents as playwrights, actors and production workers. The goal is to develop and present new plays that tell the stories of the community within which the theater operates.
- an arts education organization dedicated to teaching creative skills to people suffering psychological or emotional difficulties as a way to help people express themselves and promote healing;
- a fine arts gallery dedicated to promoting original artwork, especially photography, around themes of contemporary environmental challenges and ways to solve them;
- a performing arts space that provides opportunities for collaboration between political activism and a variety of art forms.

Social entrepreneurship is increasing in popularity among the founders of new ventures, including those with an artistic or cultural orientation. One reason has to do with the previously described connections between the business owner’s core values and the mission of the new venture. The central purpose of a new company that seeks to provide social benefits can – and should – be directly tied to the essential beliefs and ambitions of the business owners. The authenticity and purpose of an organization constructed in this way will be immediately apparent in all of its actions and statements. Another consequence of forming a social entrepreneurship venture has to do with the relationship between the company and its consumers, partners, investors, suppliers, and other stakeholders. The mission of creating positive social impact can be shared among a business and all of the individuals inside and outside of the organization. Forming a new venture, especially one dedicated to the arts, requires finding and developing connections with an audience of potential customers (and other supporters) who share the organization’s values. By making positive social change a central element of a new company’s mission, the founders can both establish the company’s identity and attract like-minded people to engage with the venture and help make it a success.

The Role of Education in Arts Entrepreneurship Initiatives

There are many ways for education to play a role in the formation, launch, and sustainable operation of an arts organization. Educational experiences – such as research, group discussions, art-making with the support of an experienced instructor, reading and writing exercises to explore new concepts, and listening to presentations by experienced professionals – can all offer value to the customers of an arts venture. These kinds of activities can also inspire and inform the business ownership and their team. An
educational program within an arts-related business might be a central feature of the organization’s mission. Or, learning opportunities may be integrated into the structure of the venture as a complementary program. In either case, inviting patrons to take part in educational experiences can prove to be an effective way to develop connections between the company and its community.

Some arts entrepreneurs choose to make education the primary offering of their organization. For example, a team of founders with experience in music education might develop and launch a new business focused on providing individual and group lessons to students in a neighborhood where the public school system has reduced or eliminated its own arts classes. This same approach to finding and addressing a need for arts education within a community can involve writing, drawing, photography, theater, digital arts, and any number of other creative practices.

Opportunities for learning can also be introduced as a separate but vital component of the arts organization’s main purpose. Art museums and galleries often develop educational programs for their patrons and younger visitors. Classes and lectures on art history, art-making techniques, or issues surrounding artists and the works they create can provoke insights and bring the public into a closer relationship with the institution. Performing arts organizations such as theater companies, orchestras, and chamber groups invite customers to participate in conversations with performers and originators of new works. They also offer training via classes, workshops, and community-based productions. For the arts entrepreneur developing a business idea that delivers a specific product to its community of customers, the addition of an integrated educational program should be evaluated and, if appropriate, implemented into the organization’s structure.

In addition to expanding the venture’s purpose and reaching a broader range of customers, an educational program can make it possible to attract financial support from foundations, corporations, and government agencies. For example, a company focused on producing high-quality digital prints for photographers, illustrators, and graphic designers could initiate a new training program on software-based techniques for aspiring visual artists. This part of the business, although separate from the main printmaking services, can grow to attract customers and qualify for funding from grant programs that support learning opportunities for digital art making. For an arts organization that does not have the nonprofit status required to qualify for grants and gifts that support education, it is possible to apply for and receive this type of financial support by working with a fiscal sponsor (see Chapter 4 on Fundraising).

There are other ways that education can become part of the arts entrepreneur’s efforts to establish and grow a sustainable business. Learning about developments in one’s own industry, for example, is essential in
order to stay up-to-date on the latest technologies and market trends that may influence your company’s prospects for future success. Business owners and their key staff should seek opportunities to study business trends, discover novel business practices and concepts, and develop new skills for operating their organization. This can be accomplished by scheduling customized training sessions, attending industry conferences and meetings, and investigating published accounts in books, magazines, specialized journals, or other media found in print and online. An arts-related business can also offer itself as a case study for students in nearby academic programs focused on business development, the creation of arts-related ventures, and strategies for career development for artists. There can be considerable value in offering your business as an instructional example for students who are eager to explore and understand how arts entrepreneurs conceive of and execute their organizational ambitions.

Creating and Selling Original Fine Art as a Business Model

What if your idea for an arts-related business is based on producing and distributing your own original artwork, such as painting, drawing, photography, musical compositions, or videos? There are a number of important considerations to evaluate when designing this kind of venture. The first question has to do with how you will produce the original artwork that you intend to eventually market. Do you have access to, or can you easily acquire, the necessary materials and skills required for generating the products you have in mind? Will quality control be an issue over time as your business becomes established and your products attract more interest? This can be a concern if your artistic product relies on access to resources such as paint, canvas, photo printing, or other supplies and services provided by others. Remember that the quality of an artistic product you create and sell under your own name will, to some extent, be dependent on the qualities of the materials and services you choose to employ in the creation of that product. Fine art is also a special case in that, as distinct from commercial art, it represents the artist’s own vision, not concepts formulated by someone else. Even if you choose to outsource the production of your fine arts products, your name will be associated with the results. Take the time to investigate your suppliers to develop relationships with providers of high quality materials and services who can be depended upon for support for the long term.

Another important consideration for the fine arts entrepreneur is how their artistic vision might be received by consumers, critics, and other stakeholders in the new venture. Some fine artists discover that their work is immediately accepted by the public and consumer demand remains consistent throughout their careers. Others, however, must experiment with a variety of artistic concepts and creative approaches before finding an audience and cultivating enough interest to grow a sustainable business.
While the goal may not necessarily be to reach a mass audience and inspire purchases numbering in the hundreds and perhaps thousands, the fine arts entrepreneur should develop a vision for success that is based on realistic and appropriately scaled business development targets. As mentioned earlier in this chapter, it is perfectly acceptable to design a business that seeks to attract customers numbering in the dozens or even less, as long as the ambitions and needs of the artist/business owner are in line with the interests and desires of the target market. The arts entrepreneur has the freedom to define his or her own measures of success, both in terms of creative accomplishments and business goals.

**Arts Entrepreneurship and the Nonprofit Creative Venture**

A nonprofit organization is one that places value on delivering benefits to society. What types of social benefits might an arts entrepreneur focus on in order to develop a business that can eventually acquire the nonprofit designation? Working with underserved populations, or launching a venture in a disadvantaged neighborhood, are some examples of initiatives launched by creators of arts-related businesses. Other issues, such as race, gender, aging, immigration, economic disparity, or climate change, have proven to be essential, guiding concepts upon which to build an arts venture. This chapter’s earlier discussion on the relationship between the founder’s core values and the venture’s mission can provide some practical ideas on developing an authentic connection between your commitment to producing social benefits and your dedication to creating a successful business.

Contrary to some interpretations, the term nonprofit does not mean that the owners or employees of the organization will not receive appropriate compensation for their efforts. In fact, many nonprofits provide very attractive financial rewards, along with benefits, such as health insurance, for their ownership and staff. What is unique about a recognized nonprofit organization is that there is no distribution of excess income after expenses are paid. In a nonprofit venture, this excess income is typically reinvested in the company or used to create an emergency fund for the future. See Chapter 5, Legal Issues, for an examination of the process of seeking and acquiring nonprofit status from the IRS.

**Designing Experiences as a Business Product**

What if the arts entrepreneur envisions a business that offers not physical objects, but rather *experiences* for their customers? These experiences can range from powerful theatrical works, music or performance art to the viewing of a film or a walk through a multimedia installation. Experiences are distinct from physical objects in many ways, especially in that they are specific to the time, place, and overall context within which they
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are delivered. A business that creates and sells artistic or cultural experiences, or one that offers these along with an educational component, needs to be designed in a way that recognizes the customers’ intellectual and emotional engagement as a very high priority. The experience of a live theater production, for example, can include a sense of catharsis within the performance that profoundly affects the audience, draws the attention of critics, and generates positive word-of-mouth publicity. A music venue with exceptionally good sound, lighting, and seating that offers a season of unique, highly skilled performers can build its reputation and audience over time to become a successful, sustainable business. If your business concept involves providing customers with experiences, investigate some of the well-established arts organizations in your area of interest to develop an understanding of this type of business model and to research opportunities for launching your own venture.

Arts Entrepreneurship and Digital Products or Services Distributed Online

Does your business concept focus on developing and marketing a specialized app, or distributing digital products, such as music and video online? The online marketplace for digital products and services becomes more crowded with competing ventures every day. To make the best use of your time in this particular environment, it makes sense to study not only the providers of the digital products and services similar to your own, but also to investigate how their customers perceive the value that is delivered in the transaction. For some customers, the convenience associated with receiving online content (such as music and video) is worth the price associated with their conversion from a free to a paid consumer. The business model adopted by Pandora, for example, shows the pathway for converting customers from free users to paying subscribers. For others, access to highly specialized content, such as rarely available material produced by influential artists, provides the incentive to engage with the business as a paying customer. Because so much online content is now available for free, the arts entrepreneur must think carefully about how to provide value for consumers in a way that distinguishes their business from others in the marketplace and develops genuine, lasting connections with their audience.

Choosing to Create a Performing Arts Venue for Music, Theater, Dance, Education, etc.

Suppose your ambitions for an arts-related business include presenting a series of performances or other public events. This type of venture requires access to a suitable space, or an established venue such as a concert hall, theater, or other publicly accessible environment. Building
a brand-new structure will likely be beyond the financial capacity of most early-stage arts entrepreneurs, although there may be some who begin their project with significant monetary resources or an existing partnership with a new building project. Most new ventures in the performing arts will seek to locate themselves in an existing space that meets their needs. Because the quality of the space is so important to the public perception of the event being presented, it makes sense to investigate a variety of the prospective venues within which to place your performance program. The level of commitment on the part of the business founder for occupying a performance space can range from occasional use of a fully outfitted theater, music venue, or other location to signing a lease on an undeveloped property and investing in all of the needed improvements such as lighting, sound, and audience amenities. Following the suggestions described earlier in the discussion of the lean startup method, an arts entrepreneur can experiment during the early stages of business concept development by finding an existing venue and renting it temporarily to test audience response to the Minimum Viable Product. If these early experiments prove successful, then a search can be conducted for an available space that can be leased for the long term and outfitted with the necessary equipment, services (such as ticket sales and concessions) and interior design details to help establish the organization and position it for success. This approach is not unlike that taken by developers in the food and beverage industry, who might experiment with a new concept in a pop-up environment first, then, depending on the level of success, identify a suitable space for a fully developed restaurant and invest the resources needed to launch an independent, sustainable operation.

**Arts Entrepreneurship in the Community: Connecting with Partners, Supporters, Patrons, Suppliers, Investors, Donors, and Other Stakeholders in Your Venture**

While the creation and development of a business idea can be accomplished by a single individual, the process of establishing a new venture within a community obviously requires participation by other people, especially customers. A business founder with a compelling idea for a new organization will likely find other individuals offering enthusiasm and advice. The challenge with any business is to discover and cultivate relationships with people who not only want the venture to succeed, but who want to become actively involved through direct support.

Attracting people to become involved in a new business requires different strategies depending on the roles these individuals play:

- **Partners** can join the organization at its earliest stages or get involved once the business becomes established. They contribute at the level of the founder, assuming responsibility for the risks of the
What Is Arts Entrepreneurship?

venture and collaborating with other team members to accomplish the company’s goals.

- **Supporters** can include contacts in print and online media who provide their readership with information about the new organization and encourage prospective customers to give the venture their attention. Other forms of support might include serving on the board of directors, providing free advice on legal or financial issues, working as a volunteer on behalf of the organization, or donating time to provide some needed service.

- **Patrons, or customers**, are the key to any successful business. Understanding and serving their needs is one of the primary goals of the business founder. See Chapter 3 on Marketing for more information on identifying and interacting with customers to build a sustainable business that addresses consumer interest.

- **Suppliers** are essential to maintaining the consistent, high-quality products that are offered by an arts venture – and expected by its customers. In some cases, suppliers are responsible for providing the raw materials an organization uses to produce its finished products, such as paper, ink, and framing materials. In other instances, suppliers provide maintenance or other support that contributes directly to the customer’s perception of the organization’s brand. This can include everything from keeping a performing arts venue or arts education facility clean and well organized to providing website hosting services and transaction support that is dependable and easy-to-use. Finding reliable suppliers and developing long-term relationships with them helps the arts entrepreneur design and grow a business that maintains a sense of quality and consistency both inside and outside of the organization.

- **Investors** offer their financial and other resources to the organization to help it grow and, eventually, deliver monetary and other returns on their support. Working with an individual or group willing to invest their money and time into your arts venture usually means accepting their participation and influence. Some business owners are happy to share the ownership and management of their venture with investors, while others will seek opportunities for support that do not require shared ownership and supervision.

- **Donors** provide financial and other support without the expectation of direct financial returns to themselves. However, donors share the interests of other types of stakeholders in that they are very focused on how the organization performs, both in economic terms and in the pursuit and accomplishment of its mission and goals.

The enthusiasm and commitment projected by the business founder can go a long way toward attracting other people to the venture as partners, supporters, patrons, suppliers, investors, or donors. Believing in yourself and your organization is the first step in convincing other people to become involved. However, the perceived value of your company’s offerings
is what keeps people committed to your cause and inspires them to become repeat customers or reliable supporters.

**Studying Arts Entrepreneurship as Professional Development for Future Employment**

Some students of arts entrepreneurship will be ready to launch their own business immediately upon graduation from their college, university, or other training program. Others may find it advantageous to seek employment first in order to gain experience, save money, and develop a network of references and industry contacts before creating their new venture. Learning about arts entrepreneurship – and developing the skills necessary to develop and run an arts-related organization – should be an ongoing process. Established business owners also need to keep learning and growing in order to keep their business concept relevant and their operational processes functioning well.

For the current or recently graduated student, academic exposure to business practices such as marketing, fundraising, accounting, and strategic planning will serve them well when applying for jobs within an existing company in their area of interest. An aspiring arts entrepreneur thinking about a business focused on the creation and distribution of fine arts photography could work for a gallery or an established, professional photographer for a period of time before launching their own company. Individuals interested in the performing arts could volunteer at a local theater, concert hall or other venue. The experience gained while employed or otherwise involved in an existing arts organization is extremely valuable. Exposure to real-world problems – and how organizations solve them – can provide many practical lessons in the day-to-day operations of a functioning business.

Students involved in an arts entrepreneurship course or program can use their coursework (such as business plans, financial projections or marketing campaigns) to convince an employer to hire them and offer the opportunity to become a valuable employee. The employer benefits from the contributions of an enthusiastic, knowledgeable employee while the student gains experience within the context of an established, ongoing enterprise. Along with the practical lessons learned while working for an existing arts-related business, there are opportunities to develop a network of references and contacts. The people you work with – and for – during your career can become your advisers and supporters once you start your own company, or can serve as references when applying for funding or negotiating leases and contracts.

For the creative business owner with years of experience, the need to develop skills in arts entrepreneurship does not diminish over time. Learning about new methods for product development and distribution, or
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studying emerging techniques for marketing and fundraising, can help the established arts entrepreneur stay current with industry trends and keep their organization on track for continued growth and success. If you are the creator of the artistic product your business offers to consumers, then developing and refining your artistic skills while running your business will also be a necessity. It is the unique combination of artistic skills and business acumen that allows the arts entrepreneur to invent an idea for new organization, attract interest among consumers and manage the venture's many business details.

Arts Entrepreneurs and Online Platforms for Fundraising, Marketing, and Community Building

The Internet has created many opportunities for an arts-related business to reach out to supporters and potential customers. Although some organizations may choose to establish themselves completely off-line (for example, a café/gallery located in a busy neighborhood that attracts customers purely through walk-by traffic and word-of-mouth), most new ventures will take advantage of the many ways online platforms can help their company become established and grow:

• **Fundraising** is one area where web-based services have become increasingly important. Crowdfunding platforms, such as Kickstarter, Indiegogo, GoFundMe and others, have become key ingredients in the fundraising and community building strategies used by individual artists and emerging arts organizations. Social media is another area where the arts venture can make its case for financial and other support and attract interest and contributions from its followers.

• **Marketing** is another area where a business can develop an online presence to expand awareness of its products and generate customer response. Developing and implementing a carefully structured marketing campaign that includes email, dynamic website design, social media postings, and even text/SMS activity can help the new venture connect within an expanding network of supporters and customers.

• **Community building** happens online as the individual artist or arts organization develops awareness among people whose interests align with, and are served by, the mission of the venture. As with other forms of community, not all relationships need to be transactional. A reader of your company’s web blog, for example, may not choose to purchase something that you make available. Instead, they might decide to promote your business through their own network and, by advocating on your behalf, expand your network of contacts and generate a greater overall financial effect for your organization than a single transaction might have produced.
Using social media, websites, and email to communicate exclusively about opportunities for purchasing artwork, tickets to a performance, or some other form of sales can have the unintended consequence of driving individuals away from your online presence rather than attracting people to it. If your network of supporters is only receiving messages about opportunities to buy something from you, then they may, over time, become less interested in maintaining their connection with you and your business. Online platforms for fundraising, marketing, and community building should be used as vehicles for inspiring and engaging your audience so they become involved with – and supportive of – the mission and purpose of your venture. This is accomplished by introducing storytelling, short videos, and compelling anecdotes about the people and projects connected with your company. If your arts organization is concerned about environmental issues, for example, then an announcement about a donation, sponsorship, or other contribution made by your company to an environmental advocacy organization can be much more meaningful to your customers than yet another opportunity for customers to make a purchase. Consider developing a strategy for your company’s Facebook and Instagram postings that incorporate personal, mission-focused messages along with communications intended to produce donations or sales.

Collaborating
Collaborating with Other Artists or Arts Organization Owners
As an arts entrepreneur studies the environment within which their new business will be located, there will likely be a number of similar organizations or individuals who are already established in that area. Examples include galleries, arts education programs, or performing arts venues that exist within the immediate vicinity or overall region of the intended new venture. The organizations and individuals who already have a presence in the marketplace could be viewed as competitors for the new company’s prospective customers. However, in the arts and culture sector, we frequently find that like-minded organizations and individuals can become key allies and partners for an emerging new venture, rather than competition that needs to be challenged or overcome. Art galleries within a revitalized downtown historic district may welcome another similar business into the neighborhood and collectively market the group via open studio tours or monthly “art walk” events. A commercial photographer, solo musician, or graphic designer might refer a new client inquiry to another artist with similar or more compatible skills if their schedule is already full or if they feel the potential client can be better served by connecting with someone else. Artists, designers, and owners of businesses in the creative sector can refer customers, supporters, and service providers to one another in an effort to help each other succeed – they can also work
on projects together and hire (or create partnerships with) one another to take on multidisciplinary projects. Although this may not be the typical approach for entrepreneurs in other fields, collaboration and mutual support among artists and arts organizations can be a natural – and very effective – way to create and grow a viable business.

**Working with Schools, Colleges, Universities, or Other Arts Education Institutions**

As mentioned above, using arts entrepreneurship training to find employment within an existing organization can be an efficient, productive approach toward eventually designing and launching your own business. Academic institutions can be included in your list of potential employers, especially those whose artistic and cultural programs align with your interests. If you hope to create a new dance company as your future arts venture, then working for (or volunteering with) the dance department of a local college or university can be an excellent way to get experience and develop connections. Many of today’s well-established research universities have opportunities for student entrepreneurs, such as incubators, accelerator programs, or consulting opportunities featuring experienced investors and business startup professionals. If you are currently enrolled in a college or university that offers these types of programs, you should investigate opportunities to develop your business concept and expand your network of supporters and investors.

Beyond working for a higher education institution or participating in their entrepreneurship programs, you can identify individuals and departments within the academic world who could become clients or customers of your venture. Schools, colleges, and universities are also consumers of a range of products and services, including those in the artistic and cultural sectors. A new business offering customized web design services could look for clients in university departments and offer to produce a uniquely tailored online experience that addresses the needs of that particular client and their user base. Colleges and universities are also excellent resources for potential employees when an arts-related business is ready to increase its staff or expand its range of offerings.

**Working with Overseas Partners, Including Suppliers, Manufacturers, Distributors, or Customers**

Many startups have international ambitions built into their medium- and long-term plans. A venture may initially become established in a local community or region, then concentrate on replicating the business model in other domestic and foreign markets. Or, the organization may be founded on a set of relationships with partners overseas. For the arts
entrepreneur, the key questions revolve around the agreements and processes needed to launch the business and grow the operation into a state of sustainability. As mentioned earlier, quality control and reliability need to be carefully monitored and managed when running an organization that spans multiple jurisdictions and crosses borders as part of its regular business operations. For companies that produce and distribute physical objects, details such as the country of origin for raw materials, shipping and customs duties, and regulations for importing and exporting finished products need to be taken into account. For an arts venture offering online services to a global community of users, issues such as language translation, international banking processes, and compliance with overseas laws are just a few of the concerns that will need to be addressed by the business founder. If your idea for a business depends on participation by foreign partners, suppliers, or customers, then developing a thorough understanding of all the issues involved in international trade will be a necessity. Consider working with experienced consultants who have extensive knowledge of the legal, financial, and cultural contexts of the locations where your business will be operating.

Launching a New Business

Launching a New Business, Managing Growth, and Planning for Succession

Each phase in the life of a new venture presents its own opportunities and challenges to the founder and others responsible for the company’s development and operations:

- **The creation and launch phases** demand close attention to product design, customer engagement, and the overall structure of the organization. Moving your business concept from an idea to reality can be as straightforward as a test project that introduces your limited edition products to a small number of early adopters, or as complex as building an entire organizational structure to support the creation of a major arts festival.

- **Managing the growth** of an existing business can take the organization and its leadership into new areas, such as expanding the business into new markets or increasing the range of products and services being offered. A venture in its growth phase may also discover opportunities to pivot the organization and its products toward greater consumer acceptance and more efficient methods of product design and distribution.

- **Succession**, or turning over the business to new owners, can be anticipated and planned for in advance. Although the idea of paying attention to the end of the founder’s relationship to their venture might seem a strange thing to do while formulating the initial concepts and
structures that will make it successful, there are reasons to look far into the future when designing, launching, and growing a viable business. Issues such as choosing the appropriate corporate structure for the organization are important when considering succession, since some corporate forms are better than others if the intention is to leave behind a thriving business for others to own and manage.

**Arts Entrepreneurs as Employers: Attracting Talented Staff, Providing Training and Incentives, Encouraging a Sense of Direct Involvement in the Company’s Mission**

One of the incentives for the owner of a new business can be the ability to provide economic benefits to their community, including sales and property tax revenues, purchasing from local suppliers and service providers, and offering employment, internships, or volunteering opportunities. As an employer, the arts entrepreneur can build a team of skilled people who are committed to the mission of the organization and experience the benefits of employment. This can include not only a paycheck, but also a sense of contribution to the quality of life experienced by the venture’s customers and community.

Along with the sustained effort required to create, test, and refine products and services that gain traction in the market, the business owner should invest resources in their employees’ well-being (via health insurance, recreation, and other perks), job satisfaction (via performance reviews with supportive, open dialogue between management and staff), and professional development, such as paid training to develop the specialized skills needed to keep the organization on track for continued success. Interactions between management and staff should be frequent and varied, to include formal meetings and presentations and informal conversations about the company’s mission and the important roles played by its employees. Some business owners offer incentives such as bonuses and salary increases to incentivize their employees, while others provide stock options or other forms of ownership to maintain and enhance a sense of commitment and participation among their team. As with the close attention paid to the customers of a new venture, the owner of an arts-related organization should listen closely to the ideas and concerns expressed by employees in order to continually refine and improve the organization’s operational features and maintain an open platform for new or better business concepts to emerge and take shape.

**Chapter Summary**

Entrepreneurship is a word that can be applied to different ideas of business development and execution, from the management of risk to the
creative destruction found in disruptive changes to economic and social norms. Arts entrepreneurs may choose to engage in creative destruction while designing and launching their new concept, or they may pursue a business strategy that places their venture alongside, and in collaboration with, other organizations. Building a business concept upon the core values of the founder and the shared interests of the company’s team (and customers) can be an efficient and effective way to design and develop a sustainable enterprise. Business opportunities can be discovered through the examination of the existing landscape of organizations in your area of interest and consideration of areas of unmet need among your target consumers. Testing a business concept early on using a Minimum Viable Product can help generate useful consumer feedback and provide validated learning that guides the business owner toward better decisions about the company’s purpose and offerings. The types of risks an arts entrepreneur manage include financial, reputational, and legal areas. Maintaining a consistent focus on customer needs and wants helps the business owner discover connection points between the perceived qualities of the proposed product and the values of the organization’s target market. Descriptions of a product or service should highlight the benefits to consumers, rather than the features of the product. There are different types of potential customers who can provide early-stage feedback driving the product development cycle. Innovators and early adopters are eager to experiment with the latest innovations, while early and late majority consumers will often wait for validation from some other source. Business growth can be measured in accordance with the appropriately scaled ambitions of the organization leadership. Some arts organizations seek widespread market penetration to attract customers numbering in the many thousands, while others aim for consumer engagement measuring in the dozens or hundreds. The business founder has the freedom to decide which measurement of success works for their intentions.

Creating an organization that is profitable and efficient requires careful analysis of business activity and well-crafted projections about the future. Entrepreneurship is often characterized by its reliance on pivots, or quickly implemented changes of operational tactics that serve the overall goals and objectives of the venture. Arts entrepreneurship can sometimes be distinguished from other forms of entrepreneurship in that the founding artist, or business owner, seeks not an exit strategy as an intended outcome, but rather an ongoing engagement with the business purpose, products, and customers. Some arts entrepreneurs develop a business idea focused on creating positive social benefits in areas such as health, education, aging, the environment, immigration, and other important areas. Education can play a major role for some arts organizations, either as a key part of their core mission or as a target market for their products and services. Developing connections with a community is an essential component of establishing an
arts-related business and encouraging its growth. The types of people you can work to attract to your business include partners, supporters, patrons, suppliers, and investors. Studying arts entrepreneurship can, in addition to preparing you for launching your own enterprise, provide valuable experience and knowledge as you pursue employment. In the overall plan for a new business, one should anticipate the launch, growth, and succession phases. Arts entrepreneurs can also be employers who recruit, train, and reward their staff and maintain a strong sense of connection between the business mission and the interests and ambitions of their team.

### Discussion Questions

1. What are some of the ways the term *entrepreneurship* is understood in relation to business concept development and execution? How does the word apply to your own idea for an arts-related business?

2. Describe the process whereby personal and professional values can become the platform for a new business idea.

3. How does the creation and testing of a prototype, or a Minimum Viable Product, help the business owner learn from consumers and refine the business idea?

4. Outline some of the ways a business opportunity can be identified, including an analysis of the existing environment for similar businesses and an interview project where your closest advisers and friends give you feedback about your artistic abilities and how to apply them.

5. What are the types of risk that need to be understood and managed by an arts entrepreneur?

6. Describe how early-stage market research using potential customers can influence product design and the overall business approach to connecting with consumers.

7. How will you organize and execute a business launch for your new product or service?

8. How will your venture measure success? Will you seek consumer acceptance in the hundreds of thousands or even millions? Or, will your company target a smaller audience numbering in the dozens or hundreds but aim for a deeper impact on that market?

9. What does the term *pivot* mean in the development of a business concept? What kinds of pivots do startup businesses make, and why?

10. Describe an arts organization that places social benefits at the center of its core mission and attracts supporters and customers as a result of its commitment to positive social change.
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8 Ries, The lean startup.


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Creative Commons, available at: http://creativecommons.org/licenses/


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5 See www.musicalartists.org/about-agma/history/

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8 Ibid., p. 446.

9 See www.recology.com/recology-san-francisco/artist-in-residence-program/


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Further Reading


