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## **Arts and Entrepreneurship**

### **Issues with Scaling A Business Based on Personal Creativity**

Doug Green

Spring is one of the best times of year for me. In addition to the improving weather, I also get to teach my favorite course at Duke University: Arts Entrepreneurship. In this class, which I co-teach with a talented and entrepreneurial-minded music professor, a wide variety of both artists and those interesting in the arts explore ways that they can apply their talents to a business endeavor or form a business that furthers the arts.

One of the greatest challenges to an arts-based business arises when a student has a unique talent that is critical to the success of that business. That's because the creative process of an individual is very difficult to scale. For example, I recently worked with a student with a particular talent in video production. Her specific expertise was in communicating a large amount of information in a very authentic form in very short videos. Her work was so good that even as an undergraduate she already had as many paying clients as she could handle. How could she continue to grow her business when there was only one of her to go around?

There are two possible answers to the obstacles a business based on personal creativity faces. The first one is very easy: If an artist, or any entrepreneur for that matter, can't keep up with demand, they are not charging enough. Creative people very often price their work based on what they think is reasonable and nearly always under-value their own creative process. Raising prices can have a lot of positive results, including controlling demand, increasing profits, and making sure that the entrepreneur is focusing on clients who will really value their work.

The young entrepreneurs are often hesitant to follow my advice, not only because they undervalue their talents but also because they think high prices result in unhappy customers. While it seems intuitive that low prices make the most people happy, that is not always the case in a supply constrained environment. Suppose an artist can only create 10 works per month and prices those works at \$200. Now suppose there are 1,000 people per month who think that \$200 is a steal for that work. By pricing at \$200 the artist will create 10 very happy customers and 990 people upset that they can't get in on the great deal. As it turns out, people get less upset with non-essentials being priced out of their reach than they do with not being able to get access to things they consider a great deal. Pricing those works at, say, \$2000 and selling them to the few who can afford them may result in a fewer number of unhappy people.

While pricing can help, there are of course limits to what pricing can do. At some point the core issue becomes how to increase capacity. That involves having the artist try to, as much as is possible, document every step of their creative process, and the finer the granularity the better. This can be incredibly difficult and sometimes painful, but it serves several purposes. First, it allows the artist to identify which steps of that process don't necessarily require their creativity and therefore can be handed off to others. Second, it allows them to create a document that may some time in the future allow them to bring on other talented creative people who can also be trained to execute their vision. Third, it allows them to better understand themselves and perhaps become better at what they do.

Scaling is only one of the unique issues that businesses based on personal creativity face. Other examples include whether the entrepreneur wants to focus long term on running the business or creating, and dealing with the typical requirement that their personality help drive the branding that is important for their business. Creative entrepreneurs need to be careful about following the typical advice given by entrepreneurial and business experts and seek advice from those who understand their unique needs.

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