

10

Business Feasibility

- This chapter gives you an opportunity – and a specific technique – to test the feasibility of your business ideas so that you can choose those that will give you a feasible formula for your creative business.



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You have your creativity and your goals, but these alone are not enough. You need a feasible business formula – or else you could fail like so many other creative, intelligent and enthusiastic people have done before you.

It's fatal to assume that any creativity can be turned into a successful business, or to believe that wonderful creativity 'deserves' business success. It takes more than just any old mix of brilliant creativity and a bunch of potential customers to make a successful formula that achieves the desired financial result. The knack is to be able to recognise which formulae are likely to succeed or fail – and to do this quickly and painlessly before precious time, energy and money are wasted.

This requires having more than one rigid idea and a method of selecting those which are feasible, then choosing the best one from all the good ones. Since we are capable of creating more than one idea, judging one particular idea to be not feasible is not a 'failure', but simply one more step along the road to success. The job to be done by entrepreneurs and those who want to help them is not to take the first idea you thought of and somehow make it work by throwing money, marketing advice or training at it. It's also about **Saying No** to those ideas which are not likely to be feasible.

What's needed is a method for examining ideas to find out whether (or not) each idea is feasible in order to select the one or two that are most likely to succeed. We need to generate lots of ideas and then have a method to select the best. I use a technique for assessing the feasibility of creative enterprises which I call the **Feasibility Filter**.²⁴

Saying No
see page 92

 **Feasibility Filter**

The Feasibility Filter

It provides a way of assessing the best bright ideas, projects and business opportunities in two ways simultaneously:

Does it use our creativity to the full and allow it to shine?

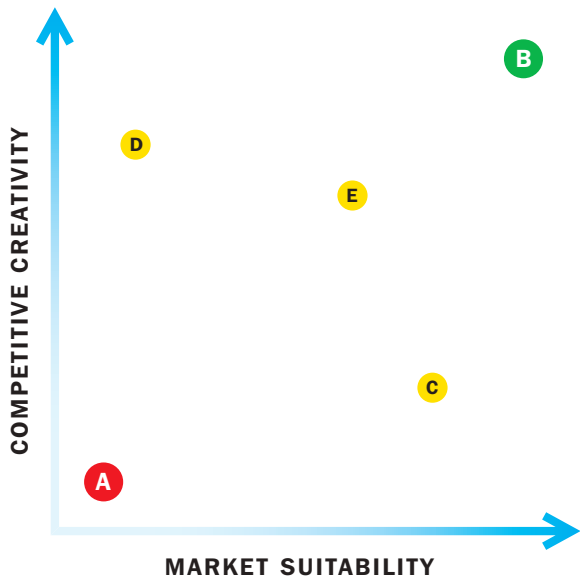
Is there a market which we can work with profitably to provide sustainable income streams ?

Clearly these questions need to be answered in the context of your Values.

This **Feasibility Filter** should be applied to each product, service or project you are considering to find those which score highest against both questions.

COMPETITIVE CREATIVITY
is the degree to which you can solve clients' problems better than your competitors can.

MARKET SUITABILITY
is the degree to which specific clients and market segments can help you achieve your financial objectives.



The diagram is illustrated with two contrasting examples:

- A** Is a product or service where your creativity is less able to provide a customer benefit than your competitors AND where the market segment does not supply sufficient net income.
- B** Is a product or service which uses your creativity to produce customer benefits better than your competitors AND the customers in sufficient number are able and willing to pay the price you require.

For example a web design company may have a range of skills and several possible markets.

One idea might be to design websites for schools, but the Feasibility Filter highlights the fact that there are competitors who are better at serving this market and the reality that schools do not have the budgets to make the work financially viable. (This is represented by **A** in the diagram.)

On the other hand, an option to work for government agencies could show up as an area where there is a competitive advantage and a financially lucrative market segment. (This is illustrated by **B** in the diagram.)

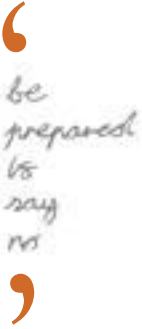
Many other positions on the filter are possible and these are shown as **C**, **D** and **E**.

By plotting several different ideas on the Feasibility Filter, we can choose those that will produce the most feasible elements for your **Business Formula**. By using the Feasibility Filter, in combination with creating new ideas, you can combine business know-how with creativity to find a viable formula for success more quickly.

Business Formula
see page 97

Mission and Values

see page 11



I have used the Feasibility Filter approach to help many creative businesses. It can also be applied to not-for-profit organisations. **The Windows Project** used a method based on this approach to select opportunities which combine its creative skills and financial viability in the context of its specific **Mission** and **Values**.

If a proposal doesn't hold together to form a workable business formula, maybe it needs to be amended – or taken right back to the drawing board.

And that's ok! It's better to revise your proposal and get it right than to rush in and fail. And as creative people we can think of plenty of other ideas if the first few just don't add up to a feasible formula.

The other chapters of this book will help you devise and revise your ideas taking into account changing conditions, customers' needs, competitive forces, and other aspects of business. Then use the Feasibility Filter to test and revise them until the best ones emerge.

“No!”

Saying No²⁵ to unfeasible or unstrategic projects should be regarded as a strength not a weakness.

Timothy Chan, Chinese computer games entrepreneur and one of the richest men in China, models himself on Bill Gates in this respect, saying that Gates is so great because he can resist temptation.²⁶ Both have enough money to venture into other industries, yet they have the strategic self-discipline not to diversify.



Key Points

- 1** Creative talent does not automatically 'deserve' business success.
- 2** Business feasibility is a matter of finding a business formula that matches specific aspects of your creativity with specific customers' needs.
- 3** What creativity do you have that can satisfy specific customers' needs better than your competitors?
- 4** Which specific market segments can provide you with suitable income streams?
- 5** Use the Feasibility Filter to assess different options for business ideas, projects, products, services and market segments.
- 6** The Feasibility Filter works for not-for-profit organisations too.
- 7** It's better to test ideas against the Feasibility Filter and find that they may not work than to test them in real life with the possible loss of morale, money, time and other resources.
- 8** Be prepared to reformulate your ideas to make them feasible.
- 9** Refer back to different chapters of this book when re-thinking your ideas.
- 10** As you test the feasibility of different options, remain true to your creative passion and values.



Ideas in Action

Mando Group

Web Development and Design Consultancy

'Mando Group is a web development and design consultancy. We're here to help our clients become more successful.'

"That's our mission statement," says Mando Group Managing Director Matt Johnson, "but it took a lot of iterations over 5 years to make it so concise and accurate." The Mando Group are clear about what they do – and what they don't do. Web development is 80% of their business and the other 20% is from design work. The company doesn't undertake projects that are outside this brief.

Matt and business partner Ian Finch have built a corporate culture based on their Values. Creativity, Openness, Responsive and Engaging are the four values that underpin the way they do business and they recruit only people who can embrace those values.

The business was set up by three students in 1997 using their student loans as capital and traded under the name 'Web Shed' until 2002. With assistance from Merseyside ACME and loans from various sources, the company was debt financed to the tune of £250K at one point as the directors invested heavily in business development to achieve the company's growth ambitions.

Mando have a "passion to deliver" and can be "aggressively focused" on winning business says Matt. Early contracts with Mersey TV's *Brookside* and *Hollyoaks* opened doors to other clients including the international computer games giant Capcom.

The Group focuses almost exclusively on the public sector and larger SMEs, saying 'No' to potential customers who don't fit the profile of clients that they can best serve profitably. This profile is based on the size of the company, location and credit ratings amongst other factors. Matt admits that in the early days they were "not gutsy enough" to turn down business because they were desperate for cash and ended up dealing with "nightmare customers" who turned out to be more expensive than if they had simply borrowed the money they needed at the time.

Mando uses Key Performance Indicators (KPIs) to measure business performance on a weekly and monthly basis. These KPIs include metrics such as sales, new leads found and acted on, proposals sent to clients, cash received, billing predictions and debtor analysis as well as profitability. This data is used daily for management information purposes and forms the basis for reports to the Board.

These KPIs form a business dashboard that Matt watches as he drives the business successfully towards its growth targets.

www.mandogroup.com



Links to related ideas and topics in book:

- * **Mission** (see pg 11)
- * **Values** (see pg 11)
- * **Key Performance Indicators** (see pg 99)
- * **Loans** (see pg 66)
- * **Focus on market segments** (see pg 37)
- * **Saying No** (see pg 92)

11

Your Route to Success

- This chapter is concerned with pulling together all the elements considered so far and formulating a specific plan for your feasible creative business.



Vision
see page 11

 **Business Strategy**

 **Business Formula**

 **SWOT Analysis**

Firstly you need to be clear about the success you want to achieve – your **Vision**.

Then you need a realistic plan to get there – your **Business Strategy** or route to success. This route must be based on your unique **Business Formula**.

A **Business Formula** is your unique mixture of particular products/services at which you excel, carefully selected customers or market segments, which can combine to produce the desired financial result, consistent with your Values.

A feasible business formula must be based on a realistic assessment of the market, competitors and a **SWOT Analysis** of your own Strengths and Weaknesses, combined with Opportunities and Threats in the changing world.

Clearly, you will play to your strengths, seize opportunities, fully understand selected customers' needs and position yourself shrewdly among competitors.

Seven Steps to Success

It can all be boiled down to seven simple steps:

- 1. Be clear where you want to go – your Vision.**
- 2. Know yourself and your current situation.**
- 3. Understand customers' needs, competition and external forces.**
- 4. Carefully create your unique Business Formula.**
- 5. Devise a plan of action – your Business Strategy.**
- 6. Turn the plan into action.**
- 7. Stick to it – be prepared to Say No.**

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Of course there will be thousands of things to do along the way (tasks) and some important decisions to be made (tactics) but the strategy is about the big issues – the essential milestones or key turning points along the way. It is impossible to plan precisely the exact and detailed series of tasks, or predict the tactics you will have to use, but there will be several essential big steps to be taken. These will be different for each enterprise but they might include vital matters such as finding an international partner, investing in new technology, protecting and exploiting intellectual property, attracting investment, etc.

A creative way to think about this is to imagine you are in the future and have achieved your success. In an interview, telling the story of your journey, you look back on the key decisions and actions that proved to be turning points or vital ingredients of your success. Perhaps there were four or five critical moves that you will look back on from the future. Returning to the present, you now have a list of the key things you need to do.

Note that this applies equally to not-for-profit organisations as well as commercial businesses and can be applied to personal as well as organisational goals.

Implementing a strategy is not always easy to plan since you cannot predict just how and when particular opportunities will arise or circumstances change, but if you know what you are looking for, you can look in the right direction, or spot opportunities if they come your way.

A vital ingredient of implementing the plan is sticking to it and that means **Saying No** to opportunities that are not in line with your business formula and strategic plan.

Saying No
see page 92

Measuring Performance

Along the way, you will need to monitor progress in different ways: firstly to make sure you are not deviating substantially from your business formula and are right on track to hit the key milestones; secondly to make sure that your business is progressing at the right pace. Deciding what needs to improve, and what doesn't, is an integral part of a clear business strategy.

You can then set targets for improving the important things and these can be called **Key Performance Indicators (KPIs)**. Depending on your business, they might include targets for sales, customer satisfaction, profitability, innovation, growth, market penetration, developing core skills, etc. See **Mando Group**.

Using the balanced scorecard²⁷ approach, these should include financial measures but not exclusively. A **Business Dashboard** for your own enterprise should also take into account customers, creativity, learning, and efficiency. This provides you with a business dashboard or control panel which constantly shows how things are developing and quickly brings to your attention anything that isn't going well so that you can take appropriate action immediately.

Imagine you are away from the business for a year, but want to know how things are going. What ten pieces of information would you want to receive on a single piece of paper each week to give you an overview of the business? The answer to this is your specification for designing your own business dashboard.

Depending on your philosophies and priorities you may want to measure success using the **Triple Bottom Line** approach, measuring financial performance, social benefits and the environmental impact of your business. This is a way that social enterprises measure success and is increasingly being adopted by large corporations who are eager to demonstrate that their motivations are not purely financial.



Key Performance Indicators

Ideas in Action — see page 94



Business Dashboard



Triple Bottom Line

Risks

Risks are part of any business and calculated risks will have to be taken, based on a Risk Analysis. You will probably face a range of financial and legal risks as well as risks to your brand and personal wellbeing.

Risk Analysis is simply the technique of listing all risks and ranking them according to their likelihood of happening and the potential negative impact on the business. The point, of course, is to minimise the risks, focusing first on those risks that score high on both counts and making plans to make them less likely to happen and/or have a lesser impact if they do. A calculated assessment of risks is an important element of choosing the best route to success. An action plan to deal with risks will help to navigate that chosen route without mishaps.

Business Plans

A detailed business plan is usually required to explain your intentions to investors and partners. Just as importantly, it should provide a useful guide for internal use by the owners / directors and staff. Some people find that writing a business plan is a nightmare. Others find that the exercise produces a useless document. In both cases the reason is often that the proposed business is not based on the solid foundations of a feasible business formula.

It's essential to establish the fundamentals of **why** you are planning to do it as well as **how** you are planning to do it. Once you are clear about these matters and have the framework of a feasible formula which brings together your skills and your selected customers' needs in a financially sustainable way, then the route to success becomes clear and the rest of the business plan will fall into place relatively easily.

There is no standard template for a business plan. In fact you don't even have to call it a business plan – **The Windows Project** preferred the term Development Plan. It is simply your way of setting out your plans for yourself and for others in a comprehensive, clear and useful way. It should answer all the

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questions that a potential partner or investor might ask. The best business plans are those that a creative entrepreneur actually *wants to refer to* often and is updated on a rolling basis as time goes by and circumstances change.

Your business plan describes your route to success. It is your pocket guide on an exciting journey and helps you keep going in the right direction as the adventure unfolds.



Key Points

- 1** Be clear about your goals – your Vision.
- 2** Know yourself, your business and all those involved.
- 3** Identify opportunities and threats using the business radar approach and the ICEDRIPS checklist.
- 4** Use the Feasibility Filter.
- 5** Identify the crucial steps that you will look back on as turning points.
- 6** Analyse risks – then minimise them.
- 7** Measure your progress by monitoring the important things with your own business dashboard.
- 8** Be prepared to ‘say no’ to things which distract you from your plan.
- 9** Get the fundamentals right and a business plan will be easy to write.
- 10** Write a business plan (or development plan) for your own use as a pocket guide to the journey ahead.



Ideas in Action

The Windows Project Community Writing Project

The Windows Project is a not-for-profit organisation with a mission to pioneer projects which enable people to develop their creativity through writing, in all sections of the community.

Founded by Dave Ward and Dave Calder over 25 years ago, it was innovative in running writing workshops in play schemes, youth centres and schools. It has a membership of over 40 writers including the internationally recognised Levi Tafari and acts as an agency between the writers and the community.

Looking ahead, the Windows Project is committed to remaining loyal to its mission whilst seeking exciting new opportunities in a fast-changing world. It will pioneer projects in new areas of the wider community and indeed with online and virtual communities.

The project's success over the years has taken place in changing circumstances and the Windows Project has planned for its future by undertaking an analysis of the external environment using the ICEDRIPS checklist to identify opportunities and threats.

Changes in the way schools are funded, the strict child protection regulations applying to those working with young people, including Criminal Records Bureau checks, the reorganisation of the arts funding system, the national curriculum and school inspections

via Ofsted, all present challenges for the Windows Project to deal with. On the other hand there are opportunities for collaboration with Creative Partnerships, Arts Council England, the National Health Service and the City of Liverpool, European Capital of Culture 2008. The Internet also provides increasing opportunities to work with online communities in new ways and further develop international links.

The Windows Project involved all its stakeholders in a systematic process to devise a new Development Plan – the organisation's preferred name for a business plan. This included agreeing a shared vision for the future of the project, an analysis of its own strengths and weaknesses and prioritising its strategic objectives.

The Windows Project is constituted as a registered charity in conjunction with an Association which acts as its trading wing for most of its activities. This combination provides maximum flexibility in terms of obtaining charitable funding and generating earned income from contracts for services. The Association is in practice a social enterprise and broadly meets the criteria to become constituted as a new Community Interest Company. It has a community purpose and is accountable to its stakeholders which include Association members, employees, client organisations, funding partners, trustees and other supporters.

www.windowsproject.demon.co.uk



The Windows Project's vision of the future remains true to its core Mission and Values so it will continue to focus on communities, recognising that its strengths and competencies are in this area. The Project will continue to balance its creative and social mission with economic realities by operating a 'mixed economy' of grants and contracts for services. Using a technique based on the principles of the Feasibility Filter, Windows will select projects in future which meet the dual criteria of fulfilling its social mission and ensuring the Project's financial sustainability.

On this basis, the Windows Project is set to stay true to its Values and Mission during changing circumstances and continue to pioneer new projects over the next 25 years.

Links to related ideas and topics in book:

- * **Not-for-profit organisations** (see pg 9)
- * **Corporate Structures** (see pg 75)
- * **Social Enterprise** (see pg 74)
- * **ICEDRIPS checklist** (see pg 28)
- * **Mission** (see pg 11)
- * **Vision** (see pg 11)
- * **Values** (see pg 11)
- * **Business Plan / Development Plan** (see pg 100)
- * **Feasibility Filter** (see pg 90)