Master's Theses, Capstones, and Projects

12-1-1983

Important factors in the success of small businesses in the creative services industry

Debra Leanne Olson

Follow this and additional works at: https://digitalcommons.stritch.edu/etd

Recommended Citation

Olson, Debra Leanne, "Important factors in the success of small businesses in the creative services industry" (1983). *Master's Theses, Capstones, and Projects*. 1090.
https://digitalcommons.stritch.edu/etd/1090

IMPORTANT FACTORS IN THE SUCCESS OF SMALL BUSINESSES

IN THE CREATIVE SERVICES INDUSTRY

by

Debra Leanne Olson

A thesis

submitted in partial fulfillment

of the requirements for the degree of

Master of Science in Management

Cardinal Stritch College

December 1983

SIGNATURE PAGE

Maxwell G. Smith
Primary Reader

November 28, 1983
Date

PCK Amdal
Secondary Reader

November 29, 1983
Date

Albert B. Rice
PMA Director

November 30, 1983
Date

ABSTRACT

IMPORTANT FACTORS IN THE SUCCESS OF SMALL BUSINESSES
IN THE CREATIVE SERVICES INDUSTRY

Debra Leanne Olson

This project was undertaken to determine which managerial skills prove the most important to entrepreneurs in the creative services industry (e.g. commercial art, design, or photography) and how these needs coincide with those of small business owners in general.

Through the use of a researcher-developed questionnaire, owner/managers of creative service firms in the Milwaukee, Racine, and Chicago areas were asked for information on their backgrounds, motivations, attitudes, and experiences as entrepreneurs. The information given by the 68 respondents was then compared to generally-held theories on managerial strengths and weaknesses and their effect on the success or failure of small businesses in general. The results showed that cash flow (or the lack thereof) was the first concern of small creative businesses, followed very closely by the amount of time and work involved in the administration of the business itself. The latter was more than likely due to the lack of general business management knowledge, with one-third of the respondents mentioning this as something they wish they had had much more of before opening their businesses. Also of significant concern was the difficulty in attracting customers. This was, once again, a function of planning or marketing, and certainly contributed to any financial difficulties.

So far, these concerns paralleled those of small business in general. Where the difference occurred, however, was that up among the top problems mentioned in the questionnaire, was that of dealing with temperamental creative personnel. The findings indicated a need for understanding of and adaption for the special needs of creative personnel. These individuals are not motivated by many of the things which move others to action. The need for challenge and desire for freedom to create stimulates not only the person himself, but also his "creative juices." The acceptance of and accommodation for the fact that the creative person tends not to be one of the "good, solid 9-5 people," will generally reap rewards for the manager and his company; the unacceptance and attempt to mold them into a good, solid 9-5er, will not.

In addition to the problem of motivating the creative personality, the creative service entrepreneur must face a unique asset/personnel relationship. His people's talents are not only the products he sells, but are actually his company's major assets as well. Therefore, the loss of a key creative person can significantly alter a firm's business prospects. The questionnaire revealed that over 40% of those who had lost a key creative employee had also lost business because of it, and over 70% cited problems in replacing the person. This, then, seemed to be the only significant different. Dealing with and/or the loss of creative personnel was an added concern for owner/managers of creative service microbusinesses. For those managers possessing an understanding of the creative person's motivations and frustrations, however, this appeared to be more of a consideration, rather than a problem.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

v

PURPOSE OF THE PROJECT

Concentrating on the creative services industry, the researcher used interviews and questionnaires to investigate the effect of managerial skills on small business success. Inasmuch as the majority of businesses in creative services are what will hereinafter be called "microbusinesses," the researcher sought to discover what managerial deficiencies prove most costly to a company of this type, and which skills prove the most valuable. She attempted to identify what differences (if any) exist between managing very small numbers of creative personnel in an extremely fickle field, and managing a nebulously-defined "small business," which, according to information from the Small Business Administration, appears to encompass anything under 250 employees.

After analysis of questionnaire and interview data, comparisons and differences were discussed. The end result was a set of cautions and guidelines for the entrepreneur contemplating the establishment of a new business, emphasizing the pitfalls peculiar to the field of creative endeavor in particular. This section was subsequently adapted for submission to the SBA as a proposed pamphlet on management of small creative service concerns.

STATEMENT OF THE PROBLEM

A huge percentage of small businesses fail within their first two years of operation--80%, on the average (Burr and Hechmann, 1979;

Cochran, 1981). Many factors may contribute to this; among them, the lack of managerial expertise, a lack of adequate financial backing and/or understanding, or a lack of necessary knowledge of the competition.

But the term "small business" is used to lump vastly different enterprises into one uncomfortable group. Can a hobby shop employing three people and a manufacturer with 200 employees and $50 million in yearly sales really have the same concerns? Do the same factors contribute to the success or failure of each? That is what the researcher wanted to investigate.

Background

Almost everyone has thought, however fleetingly, of some day owning their own business. Recently, every year has seen at least 500,000 of them actually take that step (Burr and Hechmann, 1979). Unfortunately, those same years have each seen 350,000 to 500,000 small business discontinuances as well (Bank of America, 1981).

That is not quite as drastic as it sounds. According to the Bank of America (1981), approximately 11,000 businesses actually failed in 1980. It defines a business failure as a situation where creditors are left unsatisfied. In some cases, the remaining discontinuances (those where liabilities are paid) may be caused by the owner selling out to a larger firm or simply tiring of the trials of running a business. Usually, however, they represent severe losses to the owners, whose total investments may be wiped out.

So why would anyone risk the uncertainty, the long hours, the capital investment involved in owning a small business? Many people find the lure of being their own boss, controlling their own destiny, and, of course, enjoying the freedom, to be more than ample reasons. They dream of that "Gone Fishin'" sign in the window whenever they feel lazy. And as far as the ominous statistics are concerned--that latent American pioneer spirit insists, "it can't happen here."

The bubble, however, bursts soon after the door opens for the first time. That missionary zeal and dedication are no longer the qualities that the new kid expects to put him head and shoulders above the competition. They are suddenly the only qualities that <u>may</u> help him keep that same head above <u>water</u>.

Need for the Study

It had been the researcher's observation that there existed a paucity of information dealing with microbusiness management. An intensive survey of the local public and university libraries produced many books aimed at small manufacturing firms or the procedures and strategies involved in the initial establishment of a business, but none which discussed the particular managerial problems encountered by a <u>small</u> small business.

Somewhat surprised, but not discouraged, the researcher assumed that special-interest periodical literature would yield more satis-factory results. However, after a thorough investigation of all prom-ising entries found in assorted business-oriented reference indices, discouragement became a distinct probability. Moreover, inasmuch as

the investigator was particularly interested in creative service management about which information was also almost non-existent, it seemed that the likelihood of finding any information on the joint topic would be small indeed.

It is the premise of this paper, then, that there are definite differences between the skills needed for the management of a business relying upon a very small group of artists, designers and/or photographers, and the basic skill requirements for the management of small business--1-250 people (Berghash, 1974)--in general.

A small graphic design studio may employ only five people. The talents of these people are the products offered for sale. This fact creates two major differences between the owner's problems and those of a small manufacturer:

1. The studio owner must continually resell his/her people and their advertising or design ideas to his customers.

   If a customer has found a satisfactory "widget", which has dependability and quality, he will more than likely buy it over and over again, out of habit and due to lack of a negative reaction. As long as the manufacturer continues to give the same item at competitive costs, the consumer is satisfied.

   But a creative group is looked to for constantly changing, more innovative and dazzling ideas. To offer the same type of "item" that was shown last month, would be suicide. Therefore,

the owner/manager must motivate and resell his people on a job-to-job basis.

2. The assets of a studio are its people and their talents. If one illustrator or photographer leaves the group, the effect on business could be devastating. Not only might they lose certain customers, but may very well lose other employees as well. If the ex-employee is striking out on his own, he may ask a former colleague to join him; if he is joining another studio, he may offer names of former co-workers for possible recruitment. In a studio of only five people, this could be either temporarily crippling or completely disastrous.

For these reasons, it seemed there should be some very obvious differences in emphasis between managing the creative group and managing the ill-defined small business segment. Inasmuch as there is no literature available on the subject, the researcher set out to begin to fill the void.

PROJECT INFORMATION

Title of Project

Important Factors in the Success of Small Businesses

in the Creative Services Industry

The researcher has investigated not only the managerial pitfalls facing young business in general, but has also concentrated on those problems peculiar to the management and motivation of creative personnel.

Location

This project solicited the views of participants in the Milwaukee, Madison, and Chicago areas. Some of these participants were interviewed in their places of business, while others' experiences were gathered through phone interviews and/or the use of a questionnaire.

Duration

The interviews were conducted, and the questionnaires distributed and returned, over a three month period beginning in May and concluding in July, 1983.

The entire project, as shown in the timeline on page 13, ran for nine months, from February through October of the same year.

Participants

Participants conducting the project. The researcher worked alone in writing the questionnaire, performing the interviews, and evaluating the results.

Participants in producing data. The interviewees in this study totalled 68. They consisted of present owners of sole proprietorships and partnerships whose business it is to provide creative services such as graphic design, product design, illustration, and photography. Their businesses were from 2 to 37 years old and employed from 3 to 31 personnel.

Participants benefiting from data. Readers of the research and/or proposed Small Business Administration pamphlet will be better informed about the problems encountered in managing creative service microbusi-

nesses and, should they decide to establish one of their own, better
prepared.

OBJECTIVES

Developmental Objective I

QUESTIONNAIRE DEVELOPMENT

By the beginning of May 1983, the researcher had developed a ques-
tionnaire which was later used as both a guide for the in-depth inter-
views which were conducted with owners of small creative service con-
cerns, as well as the actual research instrument which was sent to all
subjects not available for interview.

Implementation Activities of Questionnaire Development

1. Discuss with the Small Business Administration and professional

    associations such as the Independent Business Association of

    Wisconsin, and the National Federation of Independent Business,

    the existence of questionnaires, surveys, or other information

    which would assist in developing pertinent questions.

2. Evaluate all available related surveys and questionnaires to help

    avoid possible exclusion of important cogent points from instrument.

3. Develop the first draft of the survey.

4. Test the first draft questions by conducting several interviews

    with owner-managers of creative service microbusinesses in the

    Racine, Wisconsin area.

5. Based on the results of the pilot test interviews, revise the questionnaire.

Evidence of Completion of Questionnaire Development

The objective was met when the final draft had been typed and printed, and was ready for distribution.

Developmental Objective II

DATA COLLECTION

By the end of July 1983, the researcher had completed all interviews, received all completed questionnaires, and amassed all other necessary information needed to draw comparisons between small business management and the specialized microbusiness segment.

Implementation Activities of Data Collection

1. Participants were sought through information obtained from the Small Business Association, the Independent Business of Wisconsin, and the Yellow Pages of each area.

2. By May 1, all prospective interviewees were contacted by phone and appointments were made where possible.

3. By May 15, questionnaires were sent to all other chosen respondents.

4. All interviews were conducted during the months of May and June.

5. During the entire time (April-June) the researcher was evaluating all available literature and previous studies dealing with the success and failure of small business in general, in order to pinpoint commonly-held theories relative to those subjects.

Evidence of Completion of Data Collection

The objective was accomplished when all questionnaires had been returned, all interviews had been conducted, and all popular theories of small business success/failure had been identified.

Evaluation Objective I

DATA EVALUATION

By the end of August 1983, the researcher had analyzed all research components and drawn conclusions illustrating differences and similarities between small and microbusiness management concerns. It was expected that the management of a very few, highly-skilled graphic artists, whose talents were not only the major assets of the business, but the actual products being sold, would require emphasis of expertise in areas not generally as important in other industries.

Implementation Activities of Data Evaluation

1. Answers to fixed alternative and quantifiable questions were tallied and relative frequencies calculated.

2. Open-ended responses were then grouped where possible and relative frequencies again determined.

3. The above results were then compared to the conclusions reached by the researcher in relation to the importance of those same areas with respect to the success or failure of small business in general.

Evidence of Completion of Data Evaluation

The objective was met when all evaluation had been accomplished,

and the comparisons and subsequent conclusions had been drawn.

Evaluation Objective II

PAMPHLET PREPARATION

By the end of October 1983, the researcher had completed the writing of a manuscript dealing with the special expertise required for effective management of a microbusiness in the creative field. This work was written as a proposed pamphlet for submission to the SBA.

Implementation Activities of Pamphlet Preparation

1. Based on conclusions drawn in Evaluation Objective I, a first draft was completed by the middle of September 1983.

2. A query letter was sent to the SBA to determine their interest in such an undertaking.

3. The final draft was written, incorporating suggestions and modifications offered by the SBA (if any).

Evidence of Completion of Pamphlet Preparation

The objective was realized upon the final draft having been typed and (with encouragement from the SBA) submitted for publication.

LIMITATIONS OF THE PROJECT FINDINGS

Inasmuch as the research includes many respondents from major metropolitan areas as well as those from smaller communities, the researcher feels that the midwestern sample could very well be univer-

sally valid. However, the geographic limitations, compounded by the
severity of the effect of the 1981-82 recession upon the area, should
be noted.

In addition, it must be remembered that the research was limited
to microbusinesses in the creative service industry only, and can there-
fore not be generalized to all microbusinesses. Also, the human element
being a factor, the size of the sample (as affected by the response
rate), and the possible perception of "correct" answers as opposed to
true answers, should also be taken into consideration.

DEFINITION OF TERMS

creative services.....those services related to the design of adver-
tising or other printed matter; services related
to structural design; services dealing with sup-
port of such design (e.g. photography or illus-
tration); services dealing with interior design.

creativity............the talent and drive for the creation and develop-
ment of new concepts; the ability to combine
thoughts and/or resources in new and/or unusual
ways.

genius................extraordinary intellectual power, especially as
manifested in creative activity.

I.B.A.W...............Independent Business Association of Wisconsin -
formed in 1970 for the purpose of encouraging
stability and growth for independent business
in Wisconsin.

microbusiness.........used in this paper to denote an extremely small
business, particularly in terms of personnel
(in the area of 2-10 employees).

N.F.I.B...............National Federation of Independent Business -
as the largest business group in the country,
it represents almost every form of small and
independent business, with legislative staffs
in Washington, D.C., and in each state capital;
membership is over 500,000 small businesses.

SBA...................Small Business Administration - provides finan-
cial assistance, procurement assistance, manage-
ment counseling, and advocacy services for small
businesses nationwide.

ACTIVITY	FEB.	MAR.	APR.	MAY	JUNE	JULY
Project planning	⌒⌒					
Contacting SBA, N.F.I.B., I.B.A.W., et.al.		⌒⌒				
Developing questionnaire			⌒⌒			
Contacting prospective interviewees				⌒⌒		
Sending of questionnaire					⌒	
Interviews					⌒⌒	
Data analysis						⌒
Conclusions						
Pamphlet preparation						

BUDGET

Printing of questionnaires (4 pages)
    and cover letters (200 sets)................................$52.00

Address labels for use in addressing
    return envelopes.. 3.98

Envelopes (200 to send, 200 self-addressed to return)........... 8.00

Postage (both original and return).............................. 80.00

Gas (to reach interviews)....................................... 15.00

Miscellaneous photocopy fees....................................15.00

                                                  Total $173.98

SUMMARY

Project Proposal

The researcher has illustrated certain variables and concerns which may cause unique managerial considerations necessary in the management of microbusinesses in the creative services field. The method of research has been outlined and general expectations for the outcome have been suggested.

Review of Literature

In Chapter II, a wide representation of literature available on small business management concerns will be discussed. There appears to be virtually no literature existing on the particular problems of micro-business management. What very little does exist takes the form of isolated comments buried in generalizations dealing with everything from a one-man television repair shop, to a manufacturing firm with 250 employees. The review of literature, therefore, will center upon general management techniques, management assistance resources for the small business owner, and the creative service industry.

Findings and Project Conclusions

It was hypothesized by the researcher, that although items such as financial concerns and planning for growth would be problems common to any young business, there would be certain strains peculiar to the management of a creative service endeavor.

In the final Chapter, questionnaire and interview results are

discussed and compared with commonly agreed-upon concerns affecting

successful small business management.

CHAPTER TWO

RELATED LITERATURE

The purpose of this study was to explore similarities and differences between the management of the variously-defined "small business" and "microbusinesses" in the creative services field. The literature pertinent to the understanding of the major issues involved is classified as follows: (1) The creative personality: what stimulates or stifles its productivity (Abelson, 1967; Albert, 1969; Barron, 1963; Cose, 1983; Delano, 1982; Francis, 1977; Frierson, 1969; Grady, 1983; Guilford, 1950; Jackson & Messick, 1967; MacKinnon, 1967; Ranftl, 1976; Spranger, 1928; Torrance, 1967; Toynbee, 1962; Wallach & Kogan, 1967; Wolff, 1979) and (2) Statistics of, and common problems associated with, the success or failure of small business in the United States (Albert, 1981; Apostolidis, 1977; Berghash, 1974; Burr & Hechmann, 1979; Cochran, 1981; Cohn & Lindberg, 1972; Delaney, 1981; Governor's Conference on Small Business, 1981; Gumpert, 1982; Hafer & Ambrose, 1981; Jones, 1952; Mancuso, 1980; Nation's Business, 1981; Small Business Connection, 1982; Small Business Reporter, 1982; Sonfield, 1981; Thoryn, 1982). The review of literature in the above categories follows:

THE CREATIVE PERSONALITY

Historical Factors

The concept of genius was common at least as early as the days of

the Greek philosophers and was tremendously popular among early eighteenth century writers. Albert (1969) mentions, however, that the first significant study of genius was not until 1869 when Francis Galton published his Hereditary Genius.

There has always been a touch of mysticism associated with the idea of genius, and along with the concept that geniuses represent the ultimate in intelligence and creativity, has been the consensus that such people are unexplainable by modern theories of human behavior and personality development. This is perhaps one of the prime reasons that psychological studies now concentrate on giftedness, with heavy emphasis on creativity (Albert, 1969).

An analysis conducted by Albert (1969) showed that the popularity of "gifted children" and "giftedness" as study subjects began to give way to creativity and the creative process in 1958. In 1965, the last year of Albert's study, 139 publications on creativity were noted in The Psychological Abstracts as compared to a grand total of 135 on genius in the previous 38 years. This picture is corroborated by Frierson (1969) in his review covering the years from 1965 to 1969. He concluded that research related to giftedness has shifted dramatically to concern for the creative process.

Perhaps the primary reason for the shift of scholarly interest from genius to giftedness and then to creativity was the growing recognition that the distinguishing characteristic of the gifted person is creativity. It had become evident by 1950 that high intelligence and special talent do not produce outstanding achievement without the

elusive quality of creativity (Guilford, 1950).

Philosophical

The creative person maintains a playful attitude toward reality -
nothing is cast in stone, nothing is absolute (Jackson & Messick, 1967).
He tends to lead a life open to experience both from within and from
without which is characterized by flexibility and spontaneity. He has
an intellectual curiosity which leads him to probe not only the outer
world, but to explore himself and his motivations as well. He tends
to be more emotional than the norm which may be due to his inattention
to societal restrictions (MacKinnon, 1967).

The creative personality thrives on open task resolution as op-
posed to closed tasks, and finds frustrating tasks more challenging and
satisfying than less demanding ones (Francis, 1977; Torrance, 1967).
Related to this is a perceptual preference for the complex and asym-
metrical, and a tolerance for disorder, imbalance, ambiguity, and incom-
pleteness (Barron, 1963). It is not so much that the creative person
likes disorder per se, but that he prefers the richness of the disor-
dered to the barrenness of the simple.

Rules and regulations receive the same flippant treatment that the
creative personality accords many societal conventions. Managers of
creative employees have found that demanding that creativity occur
during set business hours is anti-motivational and unrealistic (Cose,
1983; Grady, 1983). They agree that achievement and inspiration are
not limited to office hours and that the more freedom a creative

employee has from those expectations, the more productive he is. In the same spirit, both Abelson (1967) and Delano (1982) point out that the creative personality seldom works well as a member of a team. Abelson (1967) discusses the positive attributes of group interaction and motivational support, but mentions that in the exploration of the unknown, team work suppresses initiative. Delano (1982) suggests that bright, often egotistical, creative personnel are more productive when working alone.

On the theory that the right side of the brain controls creative behavior, while the left side controls the rational, Delano (1982) compares typical attitudes of creative and marketing people. She points out that the left-brained marketing people are generally concerned with quantifiable considerations: sales volume, new accounts, and profit. For the right-brained creative person, however, what works and what "feels" right is the measure of success.

Sociological

The creative person often has the vague, but not necessarily unpleasant, feeling that he does not quite "fit in" (Abelson, 1967). He is not a conformist, but not a deliberate nonconformist either. Instead, he is genuinely independent. He is strongly motivated to achieve in situations in which independence in thought and action are called for, but is much less stimulated to put forth extra effort in circumstances where conforming behavior is expected or required.

He is relatively disinterested in restricting either his own

impulses and ideas or those of others. In a test designed to measure the relative strength of the six values of men as conceptualized by Edward Spranger, (namely, theoretical, economic, aesthetic, social, political, and religious) creative persons consistently score highest in theoretical and aesthetic, and lowest in economic (MacKinnon, 1967). In employment situations, the creative personality may disrupt the organization by ignoring policies and regulations through his willingness to expose ideas and attitudes which violate tradition (Jackson & Messick, 1967). But creativity can easily be stifled by a domineering reaction to this behavior; creativity requires both inherent and environmental factors (Abelson, 1967; Francis, 1977). As Toynbee (1962) said, "To give a fair chance to potential creativity is a matter of life and death for any society." He warned that creative ability can be stifled and stunted by adverse social attitudes.

Psychological

Psychologists (Abelson, 1967; Francis, 1977; Jackson & Messick, 1967; MacKinnon, 1967; Torrance, 1967; Toynbee, 1962; Wallach & Kogan, 1965) have been attempting to dissect the creative personality for the past 25 years. They have discovered several personal qualities that increase the likelihood of originality, but do not guarantee it. These predisposing characteristics include a tolerance of unreality and inconsistency, impulsiveness, intellectual ability, independence, spontaneity, reflectiveness, openmindedness, sensitivity, and intuitiveness (Jackson & Messick, 1967). Wallach & Kogan (1967) add the abilities to exercise both control and freedom, and to act both childlike

and adultlike to the list, while Wolff (1979) augments it more speci-
fically. He suggests that creative people exhibit any or all of the
following characteristics: (1) intellectually curious, (2) openminded,
(3) able to see solutions others have missed, (4) highly sensitive to
needs, (5) able to connect information in unorthodox ways, (6) anti-
authoritarian, (7) mentally restless, (8) intense, (9) problem-solvers
rather than phenomenon-studiers, (10) goal-oriented, and (11) impatient
with anything interfering with those goals.

As might be expected, the creative person also has special needs.
It has been suggested that there is a strong need to feel "special"
(Cose, 1983). This ties in with the high need for praise and recogni-
tion (Wolff, 1979), and strong ego (Delano, 1982; MacKinnon, 1967;
Wolff, 1979).

Paradoxically, although the creative personality seems to require
a great deal of freedom (Barron, 1963; Cose, 1983; Grady, 1983; Wallach &
Kogan, 1967; Wolff, 1979), it is also motivated by pressure (Francis,
1977; Wolff, 1979). The pressures discussed, however, were more open-
ended and goal-oriented than demanding of conventional behaviors.

Motivation is essential to the creative function. Without it, even
the best minds accomplish little (Abelson, 1967). As has already been
noted, the environment and prevailing attitudes can influence creativity.
These factors therefore, can and do also motivate (Abelson, 1967;
Francis, 1977; Ranftl, 1976).

MacKinnon (1967) conducted an interesting study on the self-percep-
tion of groups of professionals considered highly creative, and upon

those of groups (in the same profession) rated relatively uncreative.
The results showed clear evidence of a close relationship between what
a person thinks and does and the image he has of himself. The creative
groups consistently saw themselves as imaginative, inventive, indepen-
dent, individualistic, and determined. In striking contrast were the
relatively uncreative groups who described themselves as responsible,
sincere, reliable, clear thinking, tolerant, and understanding. Of
further interest was the fact that the creative groups also gave more
unfavorable adjectives as self-descriptive than did the other groups.
This could be the result of the creative personality's tendency toward
exploration of the inner self and shows a healthy, open-minded viewpoint.

SMALL BUSINESS: SUCCESS AND FAILURE

Historical

Every huge enterprise began as the dream or idea of one person who
initiated the venture and saw it through its early stages as a small
business. Unfortunately, according to Cochran (1981) and Delaney (1981),
a staggering number of those begun never see their third year. As to
the exact quantities or percentages of failures, there exists a certain
amount of confusion. The accurate interpretation depends upon the
criteria used. Cochran (1981) mentions that some studies use only for-
mal bankruptcies to determine their figures. Other sources, like Dun
and Bradstreet (1979), include any firms which cease operations with
losses to creditors. Cochran (1981) states that many studies have also

been done using the exceedingly broad category of discontinuance or
death, which is generally defined as terminating operations for any
reason. Delaney (1981) states that the failure rate for new busi-
nesses is higher than 50% for the first year, and between 60 and 70%
for the first two years. He goes on to quote Small Business Adminis-
tration statistics which state that over 90% of small companies fail
within five years. Although the Bank of America (1981) states that
there are between 350,000 and 500,000 discontinuances every year, it
points out that only 11,000 are reported as failures, or those leaving
unpaid liabilities. Burr and Hechmann (1979) mention that approximately
500,000 businesses are begun each year, while 400,000 fold, a fact
corroborated by Cochran (1981).

The confusion surrounding the failure statistics may be related
to the imprecision with which small business itself is defined. Berg-
hash (1974) quotes the Small Business Administration's definition as
being 250 employees or less. The Small Business Connection (1982)
mentions the Internal Revenue Service's standard of 0-499 employees.
Small business has also been defined in terms of total worth, relative
size within industry, value of products, annual sales, net worth, or a
combination of any or all (Jones, 1952).

It is due to this variety of definitions that papers published
only one month apart in late 1981 produced vastly differing figures.
One, cited by Cochran (1981), stated that 9.4 million small businesses
exist in the United States producing 44% of the Gross National Product
(GNP) (Cochran, 1981), while another indicated that 12.6 million small

businesses exist, contributing only 33% of the GNP (Governor's Conference on Small Business, 1981).

Nine out of ten business casualties can be attributed to a lack of managerial skill (Bank of America, 1981). Since the vast majority of business discontinuances occur in firms employing 20 or fewer people (Cochran, 1981), it would appear that there are problems inherent in managing a small enterprise. According to the Bank of America (1981), management experts have identified the most common pitfalls to be failure to plan, inattention to marketing, unsound financial management, and insufficient leadership. Dun and Bradstreet put inadequate sales and competitive weakness at the top of their list (Albert, 1981), and Cohn and Lindberg (1972) state that 50% of all small business failures can be traced to a product or service that was incorrectly priced.

Many of these problems are functions of the immaturity of both the business itself and the leadership. During those first few years, many mistakes are made due to inexperience, instability, and lack of financial leaway. A small business generally develops from a small organization run by one man. He is the business, and the business is him. He manages with the personal touch of a proud father and the dynamics of a corporate president. His is the ultimate responsibility and authority, so when the business grows beyond his reach, problems explode. His common reaction is to hold onto the reins even tighter as he feels himself losing control. If owner and company can both weather this inevitable period, however, they have come farther than most and can now concentrate on healthy growth.

Philosophical

The leadership of a small business must be aware of both the limitations and the advantages of size, and capitalize on them. Although short-term planning is a must, the firm's innate flexibility and maneuverability should be taken advantage of by avoiding rigidities induced by long-term planning. Because the risk of failure of a new product introduction is great and can cause more serious losses for small companies than for large ones, small firms should concentrate more on evolution than invention of radically new products according to Berghash (1974).

Due to the limited resources and personnel, everything and everyone is an intrinsic part of the success of the firm. Therefore, it is important to encourage people to grow and to foster a sense of loyalty and spirit. As the employees grow, (hopefully) so grows the company (Cohn & Lindberg, 1972). According to Berghash (1974), the American worker feels personally bankrupt in the workplace. Cohn & Lindberg's ideas should produce a company that is equal to much more than the sum of its parts.

Delaney (1981) describes the successful entrepreneur or small business leader as one who persists in the face of major and repeated adversity, has a great deal of drive, imagination, and energy, has good human relations and communication ability, and is always ready to handle the unexpected. He is a self-starter and seems to accomplish a great deal with little apparent effort. In short, he has a never-say-die, positive attitude.

Sociological

Small business has always been an important part of the "American Dream." It has been the major vehicle for upward mobility for millions of people from every ethnic, social, religious and educational background. It has offered an important road to assimilation, not only of immigrants into the American culture, but also of their cultural heritage into the fabric of the "melting pot" that is America.

In the market place, small business has increased the types of goods and services offered and has been a showcase for unique and varied talents. It has enriched the communities it serves. Millions of small businesses prosper because they provide a product or service at a quality level that is not possible in mass production or mass distribution.

Because small business owners are usually less mobile than their colleagues in larger firms, they are more likely to spend their lifetimes in a single community. Their interest in schools, churches and community development is, therefore, likely to be more personal (Berghash, 1974; Cohn & Lindberg, 1972; Governor's Conference on Small Business, 1981).

Small business, depending on the definition used, contributes somewhere between 33% and 44% of our Gross National Product (Cochran, 1981; Governor's Conference on Small Business, 1981) which makes it a powerful segment of the voting public. This position has recently been of value in encouraging the passage of two new laws which favor

small business.

As of January of 1981, the Regulatory Flexibility Act (Regflex) requires government agencies to give public notice of impending regulations which may disproportionately affect small business. They must also review existing rules and justify their continued need (Thoryn, 1982). This has been a significant victory for small business; federal agencies, with some reluctance are revising or dropping burdensome rules.

The Equal Access to Justice Act which took effect in October of 1981, is another milestone for the well-being of small business. Basically, this provides that if a small business person challenges a tax or regulatory ruling and wins, he may recover his legal fees from that agency. It is felt that this will tear a hole in the pockets of litigation-happy agencies and make them think twice about the kinds of issues they choose to contest (Nations Business, 1981; Gumpert, 1982).

Another testimony to the popularity of small business is the formation and nurturing of such volunteer organizations as the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE). The collective experience of these two agencies spans a broad range of business backgrounds and offers invaluable guidance to anyone merely for the asking. A third program, the Small Business Institute, enlists students and faculty members from colleges nationwide to assist small business owners (Hafer & Ambrose, 1981; Mancuso, 1980; Sonfield, 1981).

A final indication of the recognition of the importance of small

business to our society and economy is discussed by Gumpert (1982).

He notes the sudden proliferation of books and new magazines which

inform, counsel, and profile the entrepreneur. He mentions that two

long-established magazines, Forbes and Harvard Business Review, have

added regular features directed to small business owners, and that the

Wall Street Journal has added a weekly column aimed at the same audience.

Psychological

One of the last readily available outlets for the American pioneer

is the founding of his or her own enterprise. He walks (personally)

uncharted ground, must learn his lessons in survival quickly, faces a

hostile and unforgiving environment, and must be prepared for the unex-

pected. As mentioned in the historical section, many ventures do not

make it through the unfriendly territory alive. But the lure of the

possibility of success motivates over half a million people to try

every year (Burr & Hechmann, 1979; Cochran, 1981). They want to be

their own boss, call the shots, and do things their own way (Delaney,

1981). Many find the feeling of being a big fish in a little pond more

satisfying than the reverse, particularly those who have left a large

company due to their feelings of unimportance and anonymity (Berghash,

1974).

Although small business employment may have disadvantages (lower

pay, for example), many people find working for a small business much

more fulfilling than working for a larger one. The personal need for

achievement, recognition, and authority can be better met by the open-

ended opportunities offered by small business. The human side of small
companies can be warmer and more enjoyable than that of large companies,
allowing an enhanced feeling of belonging (Cohn & Lindberg, 1972).

In smaller companies, everyone has a wider scope of responsibili-
ties as opposed to being only one of fourteen other people who do the
same thing in a larger firm. This allows the employee to truly be
aware of his contribution to the organization. It also allows him to
shine more easily and, therefore, be recognized for his work. This in
turn might eventually lead him to the president's chair, due to the
less formalized pattern of succession. The odds are certainly more
in his favor than they would be in a huge corporation (Berghash, 1974;
Cohn & Lindberg, 1972; Governor's Conference on Small Business, 1981).

Finally, demands on personal and family life are minimized by
giving the employee's family a better chance to establish community
roots and, once again, allowing a feeling of belonging (Berghash, 1974).

SUMMARY

Although hundreds of thousands of small businesses are begun
every year, a great many of them will not live out their first year
and a majority of the ones who do, will not survive their second one
(Burr & Hechmann, 1981; Cochran, 1981; Delaney, 1981). The Bank of
America (1981) notes that by far the most common reason for these
statistics is the lack of managerial skill. It would, therefore, appear
a risky, possibly even fool-hardy, undertaking to open a business at all.

Yet approximately half a million people try just that each year. Delaney (1981) feels that the desire to be their own boss and be master of their own destinies is reason enough for most to risk everything on their dream - and hope they will be the exception rather than the rule.

With such negative prospects to begin with, the entrepreneur hardly needs any further complications, but those who choose a creative field of endeavor may have asked for just that. Although creative people tend to be flexible and open-minded (Jackson & Messick, 1967; MacKinnon, 1967), they also lean toward egotism (Delaney, 1982; MacKinnon, 1967; Wolff, 1979) and the feeling that rules were meant to be broken (Cose, 1983; Grady, 1983; Jackson & Messick, 1967). Both Abelson (1967) and Delano (1982) point out that creative people seldom feel comfortable or motivated as a member of a team, preferring to go in their own directions and work alone on their ideas. If the small business owner is not sensitive to these considerations, he may find himself needing a new employee. Inasmuch as the creative personality's need for achievement and recognition is so high (Francis, 1977; Wolff, 1979) while his value on economic matters is so low (MacKinnon, 1967), he would be more likely than another employee to leave his job if he felt a lack of satisfaction.

Much has been written about problems encountered in operating a small business and many studies have been conducted to probe the creative personality and its motivations. However, the researcher was unable to locate any studies which explored the problem of a "micro-

business" whose life depends on the smooth management, not only of the business itself, but of the possibly temperamental person whose talents and styles are the actual products being marketed.

It was for that reason, therefore, that this study was undertaken. Through the use of interviews and questionnaires, the researcher explored the major concerns and problems encountered by the owners of small creative services firms, both in their first two years of operation as well as currently. The much-discussed pitfalls of small business in general were then compared with the findings, and similarities and differences were outlined. The findings of this research, then, are presented in Chapter III.

CHAPTER III

HISTORICAL REVIEW

Purpose

This project was undertaken to determine what managerial skills

prove the most important to entrepreneurs in the creative services

industry and how these needs coincide with those of small business

owners in general. Toward that end, the researcher solicited the

views of founder/managers of creative services companies in the Milwau-

kee, Racine, and Chicago areas.

The term "small business" is used to lump vastly different enter-

prises into one heterogeneous group. According to the Small Business

Administration, a business is considered small if it employs under 250

people (Berghash, 1974). The Internal Revenue Service, however, allows

the term to encompass any company with under 500 employees (Small Busi-

ness Connection, 1982). Despite these commonly accepted definitions,

a small graphic design studio may employ only five people, the talents

of which are the actual products being offered for sale. This fact

creates two major differences between the owner's problems and those

of a small manufacturer or store owner:

1. The studio owner must continually resell his/her people and

   their advertising or design ideas to his customers.

   If a customer has found a satisfactory "widget", which

   has dependability and quality, he will more than likely buy

it over and over again, out of habit and due to lack of a
negative reaction. As long as the manufacturer continues
to give the same item at competitive costs, the consumer is
satisfied.

But a creative group is expected to be a fountain of
constantly changing, more innovative and dazzling ideas. To
offer the same type of "item" that was shown last month, would
be suicide. Therefore, the owner/manager must motivate and
resell his people on a job-to-job basis.

2. The major assets of a studio are its people and their talents.
If one illustrator or photographer leaves the group, the
effect on business could be devastating. Not only might they
lose certain customers, but may lose other employees as well.
If the ex-employee is striking out on his own, he may ask a
former colleague to join him; if he is going to another studio,
he may offer names of former co-workers for possible recruitment.
In a studio of only five people, this could be either temporarily
crippling or completely disastrous.

For these reasons, it seemed there should be some very obvious
differences in emphasis between managing a creative group and managing
the ill-defined small business segment. An intensive search for infor-
mation about those dissimilarities, however, revealed a paucity of
literature on any subject related to the management of small small
business ("microbusiness") at all.

The end result of this study, therefore, was a set of cautions

and guidelines for the entrepreneur contemplating the establishment of a small business in the field of creative endeavor, emphasizing the pitfalls peculiar to that area.

Participants

Conductor of the project. The researcher worked in small graphic arts studios as well as in the art and design departments of large corporations. In the course of this experience, she had not only met, time and time again, that stereotypical "temperamental artist," but had to admit that she deserved the title herself upon occasion. It was from this perspective that the researcher, working alone, conceived of the project and wrote and analyzed the questionnaire.

Subjects in the study. The subjects were chosen through information obtained from the Independent Business Association of Wisconsin and the Yellow Pages of each area represented in the study. All respondents were the original founders of creative service companies for which they were still the principal managers. Tables 1 and 2 show the size and age of the responding companies.

TABLE 1

PROFILE OF RESPONDING COMPANIES
YEARS IN OPERATION

	YEARS IN OPERATION							
	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40
Number	10	25	11	6	4	4	4	4
Relative %	14.7	36.8	16.1	8.8	5.9	5.9	5.9	5.9

TABLE 2

PROFILE OF RESPONDING COMPANIES
NUMBER OF FULL TIME EMPLOYEES

	NUMBER OF FULL TIME EMPLOYEES					
	1-5	6-10	11-15	16-20	21-25	26-30
Number	28	18	10	6		6
Relative %	41.2	26.5	14.7	8.8		8.8

Implementation of Activities

The first objective of the study was to develop a questionnaire

which would gather statistical background information as well as

opinions, attitudes, and experiences. In preparation for this step,

the Small Business Administration, the Independent Business Association

of Wisconsin, and the National Federation of Independent Business were

all contacted to ascertain the availability of existing questionnaires

or surveys which could assist in generating pertinent questions. Unfor-

tunately, there appeared to be none which sought the type of information

in which the researcher was interested. This means the questionnaire

developed by the researcher (Appendix A) has no predecessor with which

to compare results, and that the information gathered had to, therefore,

stand on its own.

After testing the first draft questions by the conducting of inter-

views with several creative services owner/managers in Racine and Mil-

waukee, the questionnaire was revised and sent to 200 creative service

firms.

During this same time, prospective interviewees were contacted by phone and appointments were made where possible. Due to time constraints and schedule conflicts, only six in-depth interviews were completed.

Concurrent with these activities, the researcher evaluated all available literature dealing with the success and failure of small business in general in order to identify commonly-accepted theories about the subject.

By the end of August 1983, the researcher had analyzed all research instruments and drawn conclusions illustrating differences and similarities between small business and creative service microbusiness management concerns. Answers to fixed-alternative and quantifiable questions were tallied, and open-ended responses were grouped where possible. These results were then compared to the conclusions drawn by the researcher in relation to the importance of those same areas with respect to small business in general.

Incorporating these findings, the researcher had completed the writing of a manuscript dealing with the special expertise required for effective management of a microbusiness in the creative field by the end of October 1983. This work was written as a proposed pamphlet (Appendix B) for submission to the SBA.

PRESENTATION OF FINDINGS

Evaluation Design

The evaluation design for this study needed to address two sides of the same question: which were the biggest problems encountered during the infancy of a creative services company, and which were the managerial skills most needed by an entrepreneur during the same time? These areas were evaluated on the basis of the answers to a variety of questions contained in the questionnaire, and on a consolidation of a review of literature dealing with small business success and failure factors. The result was a series of comparisons between creative service microbusiness concerns and ones of the nebulously-defined small business sector in general.

The questionnaire (Appendix A) was developed by the researcher without benefit of similar existing questionnaires to aid in the development process. This led to the inclusion of some questions which were ultimately of little assistance in drawing conclusions. These questions are noted in the following section.

Questionnaire Results and Conclusions

Of the 200 questionnaires sent out, 62 were returned completed, while 24 unopened envelopes were returned indicating the addressee had moved and left no forwarding address. These percentages are graphically represented in Figure 1.

NOTE: For the purpose of this evaluation, the researcher will add
the results of the six interviews to those of the 62 returned
questionnaires for a total sample of 68.
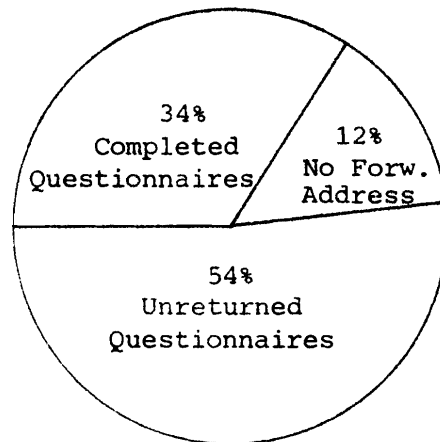
FIGURE 1

RESPONSE OF SAMPLE

Company Profile

The first part of the questionnaire dealt with company background.
This information was requested only to profile the scope of services,
age, size and growth of responding companies.

Question 1. Define your company's major service(s) and/or product(s)
(e.g. photography, layout/paste-up, product design, etc.).

The vast majority (91.1%) responded with graphic arts, advertising,
or design, each one taking a roughly equal share. The remaining 8.9%
cited animation, audio visual, photography, or art as their major
service.

Question 2. In what year did you form your company?

TABLE 3

YEARS IN OPERATION

	YEARS IN OPERATION							
	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40
Number of Respondents	10	24	12	6	4	4	4	4
Percentage of Sample	14.7	35.3	17.6	8.8	5.9	5.9	5.9	5.9

Question 3. With how many employees (including yourself and immediate family members) did you begin operation?

TABLE 4

TOTAL NUMBER OF EMPLOYEES INITIALLY

	NUMBER OF EMPLOYEES		
	1-5	6-10	11-15
Full Time	64	2	2
	94.2%	2.9%	2.9%
Part Time	22	2	
	32.4%	2.9%	

TABLE 5

TOTAL NUMBER OF EMPLOYEES CURRENTLY

| | NUMBER OF EMPLOYEES | | | | | |
	1-5	6-10	11-15	16-20	21-25	26-30
Full Time	28	18	10	6		6
	41.2%	26.5%	14.7%	8.8%		8.8%
Part Time	42					
	61.8%					

This information draws a picture of the average respondent.
He* heads a graphic arts/advertising studio which began with 2.08
full time employees (including himself) and .58 part timers approxi-
mately fourteen years ago. Today, his company has grown to employ
9.32 full time, and 1.2 part time personnel. However, 54.5% began
operation completely alone, and 84.8% started with less than four
full time employees. In addition, although the mean indicates a
current average of 9.32 full timers, 48.5% employ six people or fewer.
This is in line with the researcher's original premise.

Conclusions Regarding Company Profile. The purpose of this
section of the questionnaire was to establish the environment from
which the respondent gave his opinions. The answers coming from a
person who had started his business in 1981 and who had only one

---

*Masculine gender is used throughout this paper, not to denote
male dominance of the field, but rather as a universal designation
of all persons.

other employee, could be radically different from those given by a

20-year veteran with 15 people on staff. Therefore, all extreme

cases, either in terms of large or small amounts of personnel, or in

terms of fledglings and veterans, were considered with special care.

The fact that 12% of the questionnaires were returned due to

the addresees' having moved and leaving no forwarding address, could

lead one to assume that they are no longer in business. However, due

to a lack of specific information concerning their numbers of years

in business or particular situations, no conclusions were drawn by the

researcher.

Proprietor Profile

The next section of the questionnaire investigated the background

and motivations of the entrepreneur himself. The results to Question 1

are listed in Table 6.

TABLE 6

ENTREPRENEURIAL MOTIVATIONS

MOTIVATIONS	% SELECTING
Challenge/Accomplishment	24.5
Perceived Freedom	20.1
Freedom to Choose Work	17.6
Increased Income	15.2
Creative Frustration	8.3
Prestige	4.3
Unfilled Business Niche	4.1
Evolution from Free-lancing	3.3
Other	2.6
Location	0

Question 2. What <u>management</u> training and experience had you had
before opening your company?

EDUCATION   EXPERIENCE

Undergraduate_____   FUNCTION   LEVEL/TITLE
Graduate   ——
Other   ——   Retail Mgt.   ____   _____
                             Mfg./Production   ____   _____
                             Product Marketing   ____   _____
                             Creative Marketing____   _____
                             Creative Mgt.   ____   _____
                             Other   ____   _____

No significant education or experience in management_____

Although the word "management" was underlined in order to empha-
size that it was managerial education and experience that were being
questioned, 37% of those marking "Undergraduate" and/or "Graduate"
also marked the blank "No significant education or experience in
management." Therefore, no valid conclusions can be drawn from the
Education portion of this section.

The Experience segment, however, requested level and/or title
achieved and where this information was given by the respondents,
there was a better indication of management experience. In response,
85.3% of the entire sample indicated some type of management exper-
ience, with 55.9% giving evidence of experience in creative area
management. These findings are shown in Table 7.

TABLE 7

MANAGEMENT EXPERIENCE

EXPERIENCE	NO.	%
Any Type of Management Experience	58	85.3
Creative Management Experience	38	55.9
No Management Experience	10	14.7

The remaining 29.4% were comprised of 8.9% in Product Marketing,

5.9% each in Mfg./Production and Retail, and 8.7% in "Other" exper-

ience. This last group included sales executives, one newsman, and

even an attorney.

Question 3. In what area did the majority of your work experience lie
prior to starting your company?

```
Creative    _____    No. of years_____
Technical   _____    No. of years_____
Managerial  _____    No. of years_____
Other       _____    No. of years_____
Other       _____    No. of years_____
```

Predictably, as shown in Table 8, the vast majority (61.8%)

said their major work experience had been in the creative area.

Approximately half as many (32.3%) had managerial backgrounds, and

only 5.9% had worked in more technical professions.

TABLE 8

MAJOR WORK EXPERIENCE
OF RESPONDENTS

	Quantity	YEARS OF EXPERIENCE			
		0-5	6-10	11-15	16-20
Creative	42 (61.8%)	12	12	14	4
Managerial	22 (32.3%)	13	7	2	
Technical	4 (5.9%)	1	3		

Conclusions Regarding Proprietor Profile. This section was

designed to evaluate the owner/managers' motivations and preparation

for establishing his own company. Question 1 showed that, as opposed

to slowly "falling" into a business or making an analytical decision

based on community need, the creative services entrepreneur appeared

to go into business to fulfill a self-actualization need in himself.

Most of the respondents came from creative-oriented employment back-

grounds, yet they characterized their creative employees as "unrealis-

tic, eccentric," and "ulcer-producing." These owner/managers were at

the same level as the employees which they now describe as temperamen-

tal when they decided to strike out on their own. It is just such a

combination of hungry ego, need for challenge, and desire for freedom

to create that would seem to make a prime entrepreneurial candidate.

The management experience portion of Question 2 showed that a

large majority (85.3%) had had some type of management position prior

to opening their own business, with 55.9% having had experience in managing creative functions. Question 3 elicited responses which showed that the major work experience of 94.1% lay in either creative or managerial positions. Of the 32.3% whose background was mainly management, 97.2% seemed to have had some creative personnel management experience.

There are two hypotheses which might be proposed here. First, that creative people tend to have the appropriate personality for entrepreneurial endeavor. This fact was illustrated in the Philosophical, Sociological, and Psychological sections on the Creative Personality in the Review of Literature. Secondly, that people who open a creative services business and remain in business have had prior management experience and possess an understanding of the creative psyche.

That First Year

The purpose of this section was to spot trends (if any) in the initial structures of the responding companies and the subsequent growth-oriented restructuring, as well as to ascertain the dominant problems experienced during the start-up process.

Question 1. Place a <u>1</u> in the box corresponding to the major person who handled each of the following functions during your first year of operation.

Place a <u>2</u> in the box of the major person who <u>currently</u> handles these functions.

	Self	Spouse	Other Rel. or Friend (Unpaid)	Other Rel. or Friend (Paid)	Other Employee	Outside Consultant
Recordkeeping						
Financial Mgt.						
Credit Mgt.						
Purchasing						
Market Evaluation						
Sales Promotion & P.R.						
Employee Selection						
Employee Training						
Creative Direction						
Physical Execution of Creative Work						

Although this was a question for which it was impossible to derive accurate percentages due to many respondents giving partial answers and some ignoring it altogether, certain trends were obvious. Since most respondents began business operation with only one or two other employees (if any), they consistently handled most categories by themselves during the first year of operation. The only areas which showed a relatively significant amount of "Other Employee" involvement were the Physical Execution, Recordkeeping, Financial, and Credit areas. These,

along with Purchasing and Employee Training, were the responsibilities

which seem to be delegated to "Other Employees" as the company grew.

Financial management was the only category with any significant inci-

dence of the use of outside consultants, but this appeared to take

place only after the company has grown.

Question 2. What were the biggest surprises you encountered during
           your first year of operation?

Of the 72 comments received, 87.5% could be grouped into the six

areas of concern outlined in Table 9.

TABLE 9

MAJOR SURPRISES ENCOUNTERED DURING
FIRST YEAR OF OPERATION

COMMENT	# OF RESPONDENTS CITING THIS FACTOR	% OF SAMPLE
Cash flow/slow paying customers	24	33.4
Difficulty in getting customers	12	16.7
Ease of getting customers	10	13.9
Undependable people	6	8.3
Lack of/Need for business knowledge	6	8.3
How good it felt to own the business	5	6.9

It was interesting to note that the second and third most common

comments appeared to directly contradict each other.

Question 3. What were the biggest problems you encountered during
           your first year of operation?

Of the 77 comments given, 91% could be combined into the five

areas shown in Table 10.

TABLE 10

MAJOR PROBLEMS ENCOUNTERED DURING
FIRST YEAR OF OPERATION

COMMENTS	# OF RESPONDENTS CITING THIS FACTOR	% OF SAMPLE
Cash flow	22	28.6
Amount of time & work involved	16	20.8
Creative personnel's mood swings	14	18.2
Difficulty in getting customers	12	15.6
Credibility	6	7.8

Question 4. If you were to start your business over again, what would
           you do differently?

This question elicited 45 responses, 40 (88.9%) of which fell

into the five categories listed in Table 11.

TABLE 11

DIFFERENT PREPARATION IF BEGINNING AGAIN

PREPARATION	# OF RESPONDENTS CITING THIS FACTOR	% OF SAMPLE
Start with better general business knowledge	14	31.1
Start with more money	11	24.4
Seek professional help from consultants	7	15.6
Be more aggressive	4	8.9
Start at a younger age	4	8.9

Question 5. In opening a business, an entrepreneur is required to wear many hats. According to your experience, please rank the top three areas of expertise you feel a new business-owner in your field would find the most valuable during their first year in operation. (#1 equals most important, and so on).

In analyzing the responses to this question, the researcher assigned three points for every (1) response, two points for every (2), and one point for every (3). Table 12 shows the resulting weight given to each response category.

TABLE 12

EXPERTISE PRIORITIES

AREA OF EXPERTISE	POINTS	% OF TOTAL
Sales skill	58	28.4
Financial planning	52	25.5
Personnel mgt. & motivation	49	24.0
Design creativity	29	14.2
Long-range planning	16	7.9

In conjunction with Question 5, the researcher sought to deter-
mine if the owners had in any way changed their priorities. Only six
out of the 68 respondents indicated a change, and in each case this
simply meant a switching of the first and second rankings.

Conclusions Regarding "That First Year." The first question
consisted of a matrix which, unfortunately, was filled out in a variety
of ways and degrees of completeness, but which did illustrate somewhat
predictable trends. Since most businesses initially began with only one
or two people, the entrepreneur performed most of the functions himself.
As the companies grew, the first responsibilities to be parted with
appeared to be those revolving around facts and figures. It may be
assumed from this data that the creative personality does not generally
enjoy structured tasks where there is no room for creative expression.
The necessarily right-or-wrong nature of these chores translates into

conformity, frustration, and boredom for the creative person (Francis, 1977; Jackson & Messick, 1967). Therefore, recordkeeping, financial and credit management, and purchasing were entrusted to someone else, while market evaluation, employee selection, and creative direction tended to stay the domain of the owner/manager.

The response to Questions 2-5 clearly illustrated a need for better financial preparation, as well as a better understanding of "the business world." Cash flow was the most common surprise, beating the second most common response 2 to 1. Cash flow also topped the problems list, and together with the management of creative personnel and the amount of time and work involved, comprised almost 70% of the comments given. The last problem was often explained as "all the tedious and time-consuming paperwork." Over 70% of the answers to Question 4 related to either the lack of money or business savvy, while sales skill, financial planning, and personnel management received almost 80% of the response to Question 5.

From this information it appeared that the subjects most often on the mind of the creative services business owner during his first months in business were :

1. Cash flow - how to get, manage, and record it

2. General business skills and tasks - the lack of one and the time-consuming aspect of the other

3. Creative personnel - the advantages and problems inherent in managing them

Creative Personnel

This section of the questionnaire dealt with managerial atti-
tudes toward creative personnel and any problems the respondents may
have felt existed in the management of them. The first question was
not meant to gather information, but merely to define for the respon-
dent the type of personnel he should be considering as Questions 2-6
were answered.

Question 1. Although anyone in any position can be a creative asset to
            your company, for the purposes of this survey I will be
            using the term CREATIVE PERSONNEL to denote such people as
            designers, artists, photographers, copywriters, etc. -
            anyone employed for the express purpose of being "creative."
            Please list those types of jobs within your company to
            which this term refers and indicate the number of people
            whose major job responsibilities lie in each area.

The following matrix, shown in Table 13, presented the same
problem found with the first question in the section labelled "That
First Year" since many respondents answered only selected portions.
It was therefore reproduced with the number of checks noted in each
box, along with relative percentages.

TABLE 13

MANAGEMENT POLICIES TOWARD
CREATIVE WORK

Question 2. In general, your creative personnel usually...(Please
mark all boxes you feel are relevant. Do not mark any
which you feel do not apply).

	This is Behavior You...		For Their Creativity This is...		For Their Morale This is..		Makes Your Job as Manager...	
	En-Courage	Dis-Courage	Easier	Harder	Good	Bad	Easier	Harder
"Brain-storm" or collaborate in working out (design, etc.) problems or...	58 96.7%	2 3.3%	52 89.7%	6 10.3%	52 92.9%	4 7.1%	48 82.8%	10 17.2%
Work alone on their assign-ments	28 73.7%	10 26.3%	28 73.7%	10 26.3%	34 89.5%	4 10.5%	26 68.4%	12 31.6%
Agree with and act upon your design deci-sions or...	24 60.0%	16 40.0%	22 55.0%	18 45.0%	22 56.4%	17 43.6%	25 64.1%	14 35.9%
Occasionally find fault with your design decisions or...	39 88.6%	5 11.4%	36 81.8%	8 18.2%	30 88.2%	4 11.8%	30 69.8%	13 30.2%
Do not follow your design decisions		27 100.0%	2 9.5%	19 90.5%	2 20.0%	8 80.0%	4 16.0%	21 84.0%
Work directly with the client or...	43 84.3%	8 15.7%	40 83.3%	8 16.7%	43 100.0%		40 88.9%	5 11.1%
Get instruc-tions & feed-back through a "middleman"	8 17.7%	37 82.2%	14 29.2%	34 70.8%	8 17.3%	38 82.7%	16 51.6%	15 48.4%

From these answers, it appeared that the great majority of respondents saw the benefits of acknowledging their creative personnel's needs for freedom and recognition. Although a higher percentage (60%) of respondents encouraged (rather than discouraged) their employees to agree with their design decisions, a much higher percentage (88.6%) encouraged their personnel to think for themselves and volunteer their own design modifications. The resulting effects on creativity and morale were notable. Those who encouraged complete agreement felt their policy had a positive effect on their employees' creativity and morale, but the percentages were roughly 55 to 45 in each case. Of the employers who encouraged more free thinking, however, 81.8% felt their attitude had a positive influence on their employee's creativity, and 88.2% stated that it was good for morale. In agreement with these figures were the results of the last two sections relating to client/ employee interaction. Those who allowed their creative personnel to deal directly with the client not only felt that the interaction was good for both employee creativity and morale, but perceived it as making their position as manager much easier.

Question 3. A key creative person is either your only, or your best person in a particular function. Has a key creative person ever left your employ? Yes_____ No_____

Did you lose clients or business because of this?
Yes_____ No_____

Did you encounter problems replacing that person?
Yes_____ No_____

If so, please explain briefly.

As can be noted in Table 14, of the 68 responding entrepreneurs, 44 (64.7%) had, at some time, lost a key creative person. But more notably, 40.9% of those companies lost business due to that fact. Problems encountered in replacing the person included the time and money wasted in training and working with unsatisfactory replacements, the unexpected cost of attracting a qualified and experienced replacement, and the fact that the ex-employee had become a competitor and had lured away so many clients that the respondent could not afford to replace him immediately.

TABLE 14

LOSS OF KEY EMPLOYEE

	QUANTITY	% OF SAMPLE
Lost key employee	44	64.7
Lost clients due to loss	18	40.9
Problems replacing employee	31	70.5

Question 4. Do you feel creative personnel react differently than other employees to...

Criticism_____	Better_____	Worse_____
Pressure_____	Better_____	Worse_____
Praise_____	Better_____	Worse_____
Overtime requests_____	Better_____	Worse_____
Financial reward_____	Better_____	Worse_____
Challenge_____	Better_____	Worse_____
Internal bureaucracy_____	Better_____	Worse_____
Company goals_____	Better_____	Worse_____

Once again, not all respondents answered every category, but some clear opinions are illustrated in Table 15 nonetheless.

TABLE 15

CREATIVE PERSONNEL REACTIONS

FACTOR	BETTER		WORSE	
	#	%	#	%
Criticism	13	21.3	48	78.7
Pressure	53	100.0		
Praise	52	100.0		
Overtime requests	42	79.2	11	20.8
Financial reward	33	73.3	12	26.7
Challenge	64	100.0		
Internal bureaucracy			56	100.0
Company goals	28	56.0	22	44.0

Question 5. Do you feel there are any particular advantages in managing creative personnel? If so, please list and/or explain.

It was suspected that most managers of creative personnel would have more to say on the negative aspects of managing this type of person than on the advantages. Therefore, this question was purposely placed before #6 in order to avoid biasing the respondent. The 32 responses to this question could be broken into the six basic ideas shown in Table 16.

TABLE 16

ADVANTAGES OF CREATIVE PERSONNEL

NO! (There are no advantages.)	9
Exchange of ideas is exciting/Life is never dull	7
Fascinating, intelligent, sensitive people	6
Receptive to challenge	4
Recognition gets results	3
Their ideas are marketable	3

Unfortunately, although it seemed the creative employee kept life exciting and was an interesting person to know, the respondents found more inspiration in answering Question 6.

Question 6. Do you feel there are any particular problems peculiar to managing creative personnel? If so, please list and/or explain.

The answers to this question numbered 57, and judging by the variety of adjectives and descriptions, the respondents had to be just as creative as their employees. Table 17 shows a list of the most repeated and the most insightful observations.

TABLE 17

PROBLEMS WITH CREATIVE PERSONNEL

Managers need to:

      be diplomatic (use kid gloves)

      allow elbow room and freedom

      give praise often (when deserved)

      deal with employees' nonacceptance of
        business realities

Creative employees are:

      temperamental

      unrealistic

      eccentric

      insecure and need constant approval

      upset when ideas are rejected or modified

      unable to deal realistically with budgets

      perfectionists

      ultra-sensitive

      ulcer-producing

      bad at paperwork

      difficult to evaluate when hiring

Conclusions Regarding "Creative Personnel." It is interesting to
note that those few (11.4%) who discouraged their employees from dis-
agreeing with them (in other words, thinking creatively), and that the
15.7% who discouraged employees from working directly with the client
(thus denying visibility and ego perks) were either the owners of very
young businesses or ones whose background was primarily in management
as opposed to the creative function. It would appear that the former

group was afraid of losing control, while the latter may not have understood the psychological needs of their creative employees. Both of these suppositions were borne out by the answers given in Question 4 and the comments made in response to Questions 5 and 6. A telling consequence of the stifling practices of those with purely management backgrounds, was the fact that although in operation for 10-17 years, none of these businesses has grown significantly-- certainly nowhere near the rate of those who reportedly ruled more open-handedly.

Answers to Question 3 bore out the researcher's original hypothesis. With 70.5% of respondents who had lost key employees admitting to having difficulty replacing them, and 40.9% losing business because of it, taking time to motivate and understand the creative personality would seem to be worth the trouble.

Answers given to Questions 4-6 reflected the same effects discussed in the beginning of this section. Those who had nothing positive to say about creative personnel did not seem interested in working with and appreciating the creative temperament. One gentleman stated, "They are not good, solid 9-5 people," as though being a good, solid 9-5 person was the major quality he required in a designer or artist. The vast majority of respondents, however, showed an appreciation for, and an affinity with, their creative personnel. This does not mean they made no negative observations, however. What it does mean, is that while being aware of the ultra-sensitivity, the ego demands, and the eccentricities, these people realized the trade-offs

and enjoyed the interactions with their creative personnel. One

gentleman was eloquent on the subject and summed up the attitude of

the majority: "Sure they're difficult to manage. But any good

creative person would be - it's energy - they're full of energy and

don't follow the mainstream. Sometimes it comes out in the form of

great ideas - sometimes in the form of temper. But they keep me on

my toes - they keep life and my business interesting. You have to

take the good with the bad - if you want a delightful garden, you

have to find a way to deal with the weeds - but you make sure you

don't kill the flowers in the process."

IMPLICATIONS

The purpose of this study was not only to discover the major

problems encountered by entrepreneurs in the creative services indus-

try, but also to compare those problems with those experienced by

small business owner/managers in general.

Although experts in the field of business management do not com-

pletely agree on all factors contributing to critical, or even fatal

problems in the management of small business, certain points remain

constant. Extending long-term credit to new customers in the hopes

of generating more orders and establishing repeat business is one

common way of quickly creating a cash flow crisis. As stated by

Roussel and Epplin (1981), the small business entrepreneur who begins

operations without at least enough capital to carry his firm through

the first six months, has a company with very poor survival prospects.
If he gambles further by allowing much of his product or service to
be had on extended credit, his company will soon become a statistic.

Dun & Bradstreet (1981) cite inadequate sales and competitive
weakness as the two major reasons small businesses fail, and stress
that managerial incompetence and lack of experience are the causes.
The Bank of America (1981) lists failure to plan, unsound financial
management, and insufficient leadership, as major reasons for business
failure, while the study undertaken by Cohn and Lindberg (1972) shows
planning and organizing to be important problems. Inasmuch as planning,
leading, and organizing are three of the five areas involved in effec-
tive business management, it can be concluded that managerial expertise
and experience, along with sound financial administration, are the
tools necessary to minimizing the early growing pains of a small busi-
ness. An SBA adviser quoted by Delaney (1981) summed it up, "Many
technical entrepreneurs have advanced degrees, and they are very intel-
ligent and well trained in their line of work. The reason they fail in
business is not because they don't know the answers. It is because
they don't know the questions."

By development and distribution of the previously-discussed ques-
tionnaire, the researcher attempted to discover what, if any, differ-
ences existed between the problems encountered by creative service
microbusiness owners and those experienced by small business owners in
general. The results of the questionnaire showed that cash flow (or
the lack thereof) was the first concern of small creative businesses,

followed very closely by the amount of time and work involved in the administration of the business itself. The latter was more than likely due to the lack of general business management knowledge, with one-third of the respondents mentioning this as something they wish they had had much more of before opening their businesses. Also of significant concern was the difficulty in attracting customers. This was, once again, a function of planning or marketing, and certainly contributed to any financial difficulties.

So far, these concerns paralleled those of small business. Where the difference occurred, however, was that up among the top problems mentioned in the questionnaire, was that of dealing with temperamental creative personnel. One question revealed that over 40% of those who had lost a key creative employee had also lost business because of it, and over 70% cited problems in replacing the person. This, then, seemed to be the only significant difference. Dealing with and/or the loss of creative personnel was an added concern for owner/managers of creative service microbusinesses. For those managers possessing an understanding of the creative person's motivations and frustrations, however, this appeared to be more of a consideration, rather than a problem.

Although the researcher's questionnaire was distributed to a random sample of entrepreneurs in only the Milwaukee, Racine, and Chicago areas, the researcher saw no reason to suspect the results could not be replicated in other areas.

RECOMMENDATIONS

The results of this project suggest that pitfalls facing crea-
tive service microbusinesses are basically the same ones encountered
by any small business (variously defined as companies employing under
250 or 500 personnel). The results pointed out the wisdom of being
prepared both with adequate finances and with knowledge and/or exper-
ience in sound management practices.

The findings, however, also indicate a need for understanding of
and adaption for the special needs of creative personnel. These
individuals are not motivated by many of the things which move others
to action. The need for challenge and desire for freedom to create
stimulates not only the person himself, but also his "creative juices."
The acceptance of and accommodation for the fact that the creative
person tends not to be one of the "good, solid 9-5 people," will
generally reap rewards for the manager and his company; the unaccep-
tance and attempt to mold them into a good, solid 9-5er, will not.

In summary, the ideal owner/manager of a new creative service
company should begin with--

- a significant amount of previous management experience,
  preferably involved with creative functions and
  directly with creative personnel

- enough capital to survive at least six months without
  making a profit

.

• the words of Plato: "Do not train (people) to learning

by force or harshness; but direct them to it by what

amuses their minds, so that you may be the better able

to discover with accuracy the peculiar bent of the

genius of each." (Torrance, 1967)

SUMMARY OF THE PROJECT

This project was undertaken to determine what managerial skills

prove the most important to entrepreneurs in the creative services

industry and how these needs coincide with those of small business

owners in general.

Through the use of a researcher-developed questionnaire, owner/

managers of creative service firms in the Milwaukee, Racine, and

Chicago areas were asked for information on their backgrounds, motiva-

tions, attitudes, and experiences as entrepreneurs. This information

was then compared to generally-held theories on managerial strengths

and weaknesses and their effect on the success or failure of small

businesses in general. These comparisons were ultimately used as the

basis for a pamphlet (Appendix B) written for submission to the

Small Business Administration.

BIBLIOGRAPHY

Abelson, Philip H. "Relation to Group Activity to Creativity in Science." In Creativity and Learning. Ed. Jerome Kagan. Boston: Houghton Mifflin, 1967.

Albert, Kenneth J. Straight Talk About Small Business. New York: McGraw-Hill, 1981.

Albert, R. S. "Genius: Present-day status of the concept and its implications for the study of creativity and giftedness." American Psychologist, 1969.

Apostolidis, Panos. "Criteria for Success in Small Business." Journal of Small Business Management, January, 1977.

Bank of America. "Avoiding Management Pitfalls." Small Business Reporter, 1981.

Barron, F. Creativity and Psychological Health. Princeton: D. Van Nostrand, 1963.

Berghash, Robert. Investment in People: A Small Business Perspective. New York: Amacom, 1974.

Burr, Pat L., and Richard J. Hechmann. "Why So Many Small Businesses Flop - And Some Succeed." Across the Board, February 1979.

"A Chance to Find Regulation Relief." Nation's Business, February 1981.

Cochran, A. B. "Small Business Mortality Rates: A Review of the Literature." Journal of Small Business Management, October 1981.

Cohn, Theodore, and Roy A. Lindberg. How Management is Different in Small Companies. New York: Amacom, 1972.

Cose, Ellis. "Nurturing Atmosphere of Ingenuity." USA Today. May 1983, Sec. B.

Delaney, William A. Micromanagement: How to Solve the Problems of Growing Companies. New York: Amacom, 1981.

Delano, Sara. "Managing the Right Side of the Brain." INC., December 1982.

Dun and Bradstreet. The Business Failure Record. New York: Business Economics Division, Dun and Bradstreet, 1979.

Francis, Philip H. Principles of R & D Management. New York: Amacom, 1977.

Frierson, E. C. "The Gifted." Review of Educational Research, 1969.

Governor's Conference on Small Business. "Small Business is an Endangered Species." Madison, Wisconsin: Unpublished paper presented at "Speak Up Small Business!", November 4-6, 1981.

Grady, John E. "Advertising in the Years Ahead: A View from Academia." Art Product News, January/February, 1983.

Guilford, J. P. "Creativity." American Psychologist, 1950.

Gumpert, David E. "Entrepreneurship: A New Literature Begins." Harvard Business Review, March/April, 1982.

Hafer, J. C., and D. M. Ambrose. "Fit or Misfit: Restructuring SCORE for Effectiveness in Managerial Assistance." Journal of Small Business Management, October 1981.

Jackson, Philip W., and Samuel Messick. "The Person, the Product and the Response: Conceptual Problems in the Assessment of Creativity." In Creativity and Learning. Ed. Jerome Kagan. Boston: Houghton Mifflin, 1967.

Jones, Rudolph. "The Relative Position of Small Business in the American Economy Since 1930: Abstract of a Dissertation." Washington: Catholic University of America Press, 1952.

MacKinnon, Donald W. "The Study of Creative Persons: A Method and Some Results." In Creativity and Learning. Ed. Jerome Kagan. Boston: Houghton Mifflin, 1967.

Mancuso, Joseph R. The Small Business Survival Guide. Englewood Cliffs: Prentice-Hall, 1980.

Ranftl, Robert M. "R & D Productivity - A Key Issue." Astronautics & Aeronautics, June 1976.

Roussel, F. J., and Rose Epplin. Thinking About Going Into Business? Fort Worth: U.S. Small Business Administration, 1981.

Small Business Connection. February 1982, p. 7.

Sonfield, Mathew C. "Can Student Consultants Really Help a Small Business?" Journal of Small Business Management, October 1981.

Spranger, Eduard. Types of Men. Halle, West Germany: n. p., 1928.

Thoryn, Michael. "A Fairer Shake for Small Business." Nation's
    Business, February 1982.

Torrance, E. Paul. "Scientific Views of Creativity and Factors
    Affecting its Growth." In Creativity and Learning. Ed. Jerome
    Kagan. Boston: Houghton Mifflin, 1967.

Toynbee, Arnold. "Has America Neglected Her Creative Minority?"
    Utah Alumnus, February 1962.

Wallach, M. A., and N. Kogan. Modes of Thinking in Young Children:
    A Study of the Creativity - Intelligence Distinction. New
    York: Holt, Rinehart, & Winston, 1965.

Wolff, Michael. "How to Find - And Keep - Creative People." Research
    Management, September 1979.

A P P E N D I X   A

Debra Olson
4420 Kennedy Drive
Racine, Wisconsin 53405

Dear Founder/Manager:

Will you take a few minutes to do me a favor?

As a part of the research for my Master's thesis, I'm conducting a survey among entrepreneurs such as yourself in the graphic arts industry.

My purpose in sending you this questionnaire is to discover, from your experience, what the major concerns and problems are which face the manager of a creative arts company whose products are actually the talents of a small group of creative personnel.

At this moment, there are no studies existing which address this topic. Therefore, with your help, I hope to identify any special problems peculiar to the founding and nurturing of a successful graphic arts oriented enterprise.

Your answers are very important to the accuracy of my findings, so won't you take a few moments of your time to answer the simple questions on the enclosed sheets and return them in the stamped reply envelope as soon as possible?

All answers are anonymous unless you wish to identify yourself and your company. Please feel free to write in the margins or add an extra sheet of paper if you have additional points or comments you'd like to make.

In anticipation, I'd like to thank you so much for your valuable help. It's very much appreciated.

Sincerely,

Debra Olson

P.S. If you would be interested in receiving a copy of my findings, I'd be very happy to send you one. In that event, please identify yourself and your company, either when returning your questionnaire, or, if you wish to preserve anonymity, under separate cover.

-1-

1. Please define your company's major service(s) and/or product(s)
(e.g. photography, layout/paste-up, product design, etc.).

_____

2. In what year did you form your company? _____

3. With how many employees (including yourself and immediate family members)
did you begin operation?

Full time _____   Part time _____

4. How many people (including yourself and immediate family members) are currently
employed by your firm?

Full time _____   Part time _____

1. Rank the top three items which motivated you to open your own business.
(Place a #1 after the first motivation, and so on).

Prestige _____   Increased income _____
Perceived freedom _____   Saw an unfilled business
Challenge/accomplishment _____   niche _____
Slow evolution from free-lancing _____ Creative frustration in
Location (e.g. tired of commuting) _____ another job _____
Freedom to choose type of work   Other _____
   to be done _____

2. What management training and experience had you had before opening your company?

EDUCATION   EXPERIENCE

Undergraduate_____   FUNCTION   LEVEL/TITLE
Graduate   _____
Other   _____   Retail Mgt.   _____   _____
                       Mfg/Production   _____   _____
                       Product Marketing_____   _____
                       Creative Mgt.   _____   _____
                       Other   _____   _____

No significant education or experience in management_____

3. In what area did the majority of your work experience lie prior to starting
your company?

Creative   _____   No. of years_____
Technical   _____   No. of years_____
Managerial _____   No. of years_____
Other   _____   No. of years_____
Other   _____   No. of years_____

Please turn page over....

1. Place a <u>1</u> in the box corresponding to the major person who handled each
   of the following functions during your first year of operation.

   Place a <u>2</u> in the box of the major person who <u>currently</u> handles these functions.

	Self	Spouse	Other Rel. or Friend (Unpaid)	Other Rel. or Friend (Paid)	Other Employee	Outside Consultant
Recordkeeping						
Financial Mgt.						
Credit Mgt.						
Purchasing						
Market Evaluation						
Sales Promotion & P.R.						
Employee Selection						
Employee Training						
Creative Direction						
Physical Execution of Creative Work						

2. What were the biggest surprises you encountered during your first year of
   operation?

   _____

   _____

   _____

3. What were the biggest problems you encountered during your first year of
   operation?

   _____

   _____

   _____

4. If you were to start your business over again, what would you do differently?

   _____

   _____

   _____

5. In opening a business, an entrepreneur is required to wear many hats. According
   to your experience, please rank the top three areas of expertise you feel a new
   business-owner in your field would find the most valuable during their first
   year of operation. (#1 equals most important, and so on).

   .Long-range business planning _____
   Personnel management and motivation_____
   Financial planning _____
   Sales skill _____
   Design creativity _____
   Other_____ _____
   Other_____ _____

Do the rankings reflect your <u>current</u> expertise needs, or have they changed?
If so, please state how and why. _____

_____

_____

CREATIVE PERSONNEL

1. Although anyone in any position can be a creative asset to your company, for
   the purposes of this survey I will be using the term CREATIVE PERSONNEL to
   denote such people as designers, artists, photographers, copywriters, etc.-
   anyone employed for the express purpose of being "creative." Please list
   those types of jobs within your company to which this term refers and indicate
   the number of people whose major job responsibilities lie in each area.

   JOB TYPE   NO. OF EMPLOYEES
                                               IN THAT AREA

   _____   _____

   _____   _____

   _____   _____

   _____   _____

   _____   _____

2. In general, your creative personnel usually... (Please mark all boxes
   you feel are relevant. Do not mark any which you feel do not apply).

	Yes	This is Behavior You...		For Their Creativity This is...		For Their Morale This is...		Makes Your Job as Mgr...	
		En-Courage	Dis-Courage	Easier	Harder	Good	Bad	Easier	Harder
...ain-storm" or ...laborate in working ...(design, etc.) ...blems or...									
...k alone on their ...ignments									
...ee with and act upon ...r design decisions ...									
...asionally find fault ...n your design ...isions or...									
...not follow your ...ign decisions									
...k directly with the ...nt or... .									
...instructions & ...back through a ...dleman"									

3. A key creative person is either your only, or your best person in a particular function. Has a key creative person ever left your employ? Yes____ No____

Did you lose clients or business because of this? Yes____ No____

Did you encounter problems replacing that person? Yes____ No____

If so, please explain briefly_____

_____

_____

_____

4. Do you feel creative personnel react differently than other employees to...

Criticism____	Better____	Worse____
Pressure____	Better____	Worse____
Praise____	Better____	Worse____
Overtime requests____	Better____	Worse____
Financial reward____	Better____	Worse____
Challenge____	Better____	Worse____
Internal bureaucracy____	Better____	Worse____
Company goals____	Better____	Worse____

5. Do you feel there are any particular advantages in managing creative personnel? If so, please list and/or explain.

6. Do you feel there are any particular problems peculiar to managing creative personnel? If so, please list and/or explain.

No more questions--thanks again so much for your trouble!

CREATIVE PERSONNEL

A P P E N D I X   B

PROPOSED SUBMISSION TO THE SMALL

BUSINESS ADMINISTRATION

SUMMARY

Although hundreds of thousands of small businesses are begun every year, a great many of them will not live out their first year and a majority of the ones who do, will not survive their second one. It would, therefore, appear a risky, possibly even fool-hardy, undertaking to open a business at all, yet approximately half a million people try it each year. The desire to be their own boss and be master of their own destinies is reason enough for most to risk everything on their dream - and hope they will be the exception rather than the rule.

With such negative prospects to begin with, the entrepreneur hardly needs any further complications, but those who choose a creative field of endeavor may have asked for just that. According to studies exploring creativity, the personality traits which creative people tend to have in common make them less than simple to manage.

This AID is based on an extensive review of literature concerning the creative personality and its motivations, and on the results of questionnaires filled out by owner/managers of small creative service businesses. While it does not mean to suggest that all creative personnel are wild-eyed prima donnas, it does attempt to outline and discuss motivations and traits which, to some degree, are factors in the personalities of most truly creative people, and which influence

the effective management of them as personnel.

INTRODUCTION

Although creative people tend to be flexible and open-minded, they also lean toward egotism and the feeling that rules were meant to be broken. Creative people seldom feel comfortable or motivated as a member of a team, preferring to go in their own directions and work alone on their ideas. If the small business owner is not sensitive to these considerations, he may find himself needing a new employee.

The facts and statements made in this AID are based on the studies of psychologists specializing in the exploration of exceptional creativity, and on the results of a questionnaire completed by creative service entrepreneurs in the Milwaukee-Chicago area. Both sources suggest that there are indeed problems peculiar to the management of creative personnel. It is hoped that this discussion will leave you with a better understanding of the creative personality and, therefore, better equipped to deal effectively as a manager.

THE CREATIVE SERVICE INDUSTRY

Creative services companies--those dealing with such things as the design of advertising, printed materials, packaging, products, or interiors, as well as services giving support to such design (e.g. photography)--operate with a unique asset structure. The talents of their creative personnel are not only the products offered for sale,

but are actually the major assets of the company.

These facts cause two major differences between the operation of a graphic arts studio employing six people and a store with an equal number of personnel. The studio owner must continually resell his/her people and their advertising or design ideas to the client, whereas a customer who has found a dependable "widget" will more than likely buy it over and over again out of habit and consistent quality as long as the cost remains competitive. A creative group is expected to be a fountain of constantly changing, innovative and dazzling ideas, so to offer the same type of "item" that was shown last month, would be suicide. Therefore, the owner/manager must motivate and resell his people on a job-to-job basis.

The second difference lies in the fact that the assets of a studio are its people and their talents. If a clerk or bookkeeper leaves the employ of a small store, the retraining and assimilation process could be bothersome, but seldom overly upsetting. In a small creative service company, however, if one illustrator or photographer leaves the group, the effect on business could be devastating. Not only might they lose certain customers, but may very well lose other employees as well. If the ex-employee is striking out on his own, he may ask a former colleague to join him; if he is joining another studio, he may offer names of former co-workers for possible recruitment. In a studio of only six people, this could be either temporarily crippling or completely disastrous.

How do you, as a creative service entrepreneur, stop your employees (assets) from "burning out"? How do you avoid losing the illustrator or designer whose unique style and reputation have become synonymous with your business, not to mention your income? The answer is, the understanding of and consequent ability to motivate your creative personnel.

THE CREATIVE PERSONALITY

According to studies investigating the concept of creativity, the creative person maintains a playful attitude toward reality - nothing is cast in stone, nothing is absolute. Norms are to be avoided and rules are meant to be broken. This is, of course, the basis for their creativity. It is the automatic gravitation to and delight in those things not normally done, that constitutes creative thinking.

Psychologists have been attempting to dissect the creative personality for the past 25 years. They have discovered several personal qualities that increase the likelihood of originality (but do not necessarily guarantee it). These predisposing characteristics include a tolerance of unreality and inconsistency, impulsiveness, intellectual ability, independence, spontaneity, reflectiveness, openmindedness, sensitivity, and intuitiveness. Consequently, it has been suggested that creative people exhibit any or all of the following characteristics: (1) intellectually curious, (2) openminded, (3) able to see solutions others have missed, (4) highly sensitive to needs, (5) able to connect

information in unorthodox ways, (6) anti-authoritarian, (7) mentally restless, (8) intense, (9) problem-solvers rather than phenomenon-studiers, (10) goal-oriented, and (11) impatient with anything interfering with those goals.

The creative person often has the vague, but not necessarily unpleasant, feeling that he does not quite "fit in". He is not a conformist, but not a deliberate nonconformist either. Instead, he is genuinely independent. He is strongly motivated to achieve in situations in which independence in thought and action are called for, but is much less stimulated to put forth extra effort in circumstances where conforming behavior is expected or required. This means the creative personality thrives on open task resolution as opposed to closed tasks, and finds frustrating tasks more challenging and satisfying than less demanding ones. Related to this is a perceptual preference for the complex and asymmetrical, and a tolerance for disorder, imbalance, ambiguity, and incompleteness. It's not so much that the creative person likes disorder per se, but that he prefers the richness of the disordered to the barrenness of the simple.

As a final note, an interesting study was conducted in 1967 by Donald MacKinnon. He tested the self-perceptions of groups of professionals considered highly creative, and those of groups (in the same profession) rated relatively uncreative. The results showed clear evidence of a close relationship between what a person thinks and does and the image he has of himself. The creative groups consistently saw

themselves as imaginative, inventive, independent, individualistic,
and determined. In striking contrast were the relatively uncreative
groups who described themselves as responsible, sincere, reliable,
clear thinking, tolerant, and understanding. Of further interest was
the fact that the creative groups also gave more unfavorable adjec-
tives as self-descriptive than did the other groups. This could be
the result of the creative personality's tendency toward exploration
of the inner self and shows a healthy, open-minded viewpoint.

MANAGING CREATIVE PERSONNEL

In the work environment, the creative personality may disrupt the
organization by ignoring policies and regulations through his willing-
ness to expose ideas and attitudes which violate tradition. But
creativity can easily be stifled by a domineering reaction to this
behavior; creativity requires both inherent and environmental factors
and can be stunted by adverse management attitudes.

From the results of the questionnaire, it was interesting to note
that those few who discouraged their creative employees from ever dis-
agreeing with them (i.e., thinking creatively), and those who discour-
aged employees from working directly with the client (thus denying
visibility and recognition) were either the owners of very young busi-
nesses or ones whose backgrounds were primarily in management as opposed
to the creative function. It would appear that the former group was
afraid.of losing control, while the latter may not have understood

the psychological needs of their creative personnel. Two telling con-
sequences of the stifling practices of those with purely management
backgrounds, were the facts that these firms experienced a much
higher employee turnover, and that although in operation for 10-17
years, none of these businesses had grown significantly--certainly no-
where near the rate of those who reportedly ruled more open-handedly.

Motivation is essential to the creative function. Without it, even
the best minds accomplish little. As has already been noted, the
environment and prevailing attitudes can influence creativity. It,
therefore, can and does also motivate. Managers of creative employees
have found that demanding that creativity occur during set hours is
anti-motivational and unrealistic. They agree that achievement and
inspiration are not limited to office hours and that the more freedom
a creative employee has from those expectations, the more productive
he is. In the same spirit, the creative personality seldom works well
as a member of a team. There are, of course, positive attributes of
group interaction and motivational support, but in the exploration of
the unknown, teamwork tends to suppress initiative. It appears that
bright, often egotistical, creative personnel are more productive when
working alone.

As mentioned earlier, the truly creative person has a flippant
attitude toward rules and restrictions. He also tends to be a per-
fectionist. This can try a manager's patience, because his designer
or illustrator wants to do it RIGHT; whether it requires twice the

allotted budget and isn't complete until the minute before the client walks in the door, they are going to do it RIGHT. An interesting biological factor enters in here: on the theory that the right side of the brain controls creative behavior, while the left side controls the rational, researchers have noted that the left-brained marketing and management people are generally concerned with quantifiable considerations: sales volume, new accounts, and profit. For the right-brained creative person, however, what works and what "feels" right is the measure of success.

Paradoxically, although the creative personality seems to require a great deal of freedom, it is also motivated by pressure. The pressures which motivate, however, are more open-ended and goal-oriented than demanding of conventional behaviors, and are related to the high need for challenge.

Another distinctive facet of the creative employee is his reaction to criticism. If a bookkeeper enters the wrong number, or an electrician connects the wrong wires, there is no argument--a mistake has been made. To point it out will correct the mistake and does not attack or make judgements on the person's abilities. Mistakes do happen and anyone can make them. But to callously criticize a design, a product, an illustration, or a photograph which came from the mind and creative judgement of an employee, is not only perceived as a questioning of ability and talent, but totally subjective as well. You may vehemently feel that the item in question was poorly planned, developed, and executed, but that is, after all, only your opinion.

If you are the creative director, you must, of course, feel good about

the item before it leaves your area of influence. Therefore, it may

be necessary to have alterations made. But do not give the order,

"Don't ask questions--just do as I say!" He's put a great deal of

work into this and you do owe him a valid reason. He may have been

working so closely with it that he didn't see the obvious clinkers.

And there's always the chance that you could be unaware of certain

problems or requirements, so allow some discussion on the subject.

Always let your employee know that his point is being listened to and

considered, even if you ultimately decide against it. And above all,

if your own background is in a creative area, resist the temptation

to always put your "thumb-print" on everyone else's work. Even if

your aim is to train an office full of clones, you will be disappointed--

those clones will leave you as soon as they get frustrated enough.

That brings us to another point. The creative person tends to

have a strong need to feel "special", which ties in with a high need

for recognition and praise. If these needs are not met, the creative

person will look elsewhere for gratification. This may mean decreased

interest in and/or creativity on the job (because it doesn't seem to

be appreciated anyway), or, more drastically, the loss of the employee

altogether. Of the questionnaire respondents, 65% had lost a key crea-

tive employee at some point and 41% of those companies had lost business

due to that fact. Problems encountered in replacing the person

included the time and money wasted in training and working with unsatis-

factory replacements, the unexpected cost of attracting a qualified

and experienced replacement, and the fact that the ex-employee had become a competitor and had lured away so many clients that the respondent could not afford to replace him immediately.

Creative personnel are not motivated by many of the things which move others to action. The need for challenge and desire for freedom to create stimulates not only the person himself, but also his "creative juices". The acceptance of and accommodation for the fact that the creative person tends not to be one of the "good, solid 9-5 people", as one gentleman complained, will generally reap rewards for the manager and his company; the unacceptance and attempt to mold them into a good, solid 9-5er will not. It would seem, therefore, that taking the time to motivate and understand the creative personality would be well worth the trouble.

One questionnaire respondent summed up a rational and healthy attitude by saying, "Sure they're difficult to manage. But any good creative person would be. It's energy--they're full of energy and don't follow the mainstream. Sometimes it comes out in the form of great ideas--sometimes in the form of temper. But they keep me on my toes--they keep life and my business interesting. You have to take the good with the bad--if you want a delightful garden, you have to find a way to deal with the weeds--but you make sure you don't kill the flowers in the process."

And finally some food for thought:

"Do not train (people) to learning by force

or harshness; but direct them to it by what

amuses their minds, so that you may be the

better able to discover with accuracy the

peculiar bent of the genius of each."

Plato