

I

TAKING THE PLUNGE

A daunting,
energizing journey

FACING THE REALITY OF ENTREPRENEURSHIP

Most graphic designers I've come in contact with over the years have at least entertained thoughts of "going it alone" at some point in their careers. Some have done it successfully; many have not. For those who have not, lack of raw talent was almost never the reason for failure; lack of business know-how almost always was.

The reality, of course, is that no matter how business savvy you may be, entrepreneurship is not for everyone. Consider, for example, that while design ability may be at the core of any successful design firm, you'll probably devote no more than half (often more like a quarter) of your time to the actual process of designing once you're the principal of a one- or two-person firm. Sales, client interactions, project management, and the various administrative functions required to run a business tend to take up a far greater role than many would-be entrepreneurs have the knowledge—or stomach—for. And speaking of stomach upheavals, before you decide to take the plunge, you'd do well to reflect carefully on the roller-coaster ups and downs of those inevitable business cycles that often make a steady paycheck a very attractive and satisfying alternative to operating your own business.

Finally, there's the issue of eventual net worth. With most other types of business, entrepreneurs work hard to grow their ventures with an eye toward building cumulative value and then eventually either passing the business on or profiting from its sale. If this is your goal, the design business is probably not for you. While it may be true that a few large design firms have been acquired by larger companies, the market for "boutique" shops is clearly not appealing as a solid business investment. Think about it: annualized sales volume that's more often than not dependent on iffy project-by-project assignments; no long-term contracts or

projections; spotty cash flow; no real property holdings; no inventory; and, especially in the breakneck pace of digital innovation, constantly depreciating equipment value. Add to that equation the fact that most client/resource relationships are personality driven and won't transition easily, if at all, to new management—and you can see that this is certainly not an enticing picture for potential investors.

There is a bright side, though, and it's this: Just about *every* designer I've ever known would happily characterize this career choice as one that he or she wouldn't want to trade—something that sadly is beyond realization for the vast majority of the working populace. And so, the question you must answer is: Do you think you have what it takes to succeed in this often difficult, often rewarding business of ours? If so, read on and get ready for what could be the ride of your life.

EARLY MISSTEPS

An object lesson

If you fit the profile of most aspiring graphic design entrepreneurs, your story goes something like this: after design school, you probably entered the workforce with an over-inflated level of confidence in your abilities and a portfolio of class assignments to prove it. But soon after coming to grips with the reality of job rejection after sobering rejection, you finally landed a bottom-rung position only to realize that there's so much more to learn in the “real world” than you were ever

made aware of in school. Suddenly you were faced with the realities of design not purely as an aesthetic exercise, but as a real-world problem-solving profession replete with deadlines, project management issues, budget matters, marketing questions, client and colleague interactions, and, of course, subjectivity—the profession's number-one ego deflater.

If you're anything like I was, you quickly realized your shortcomings and tried to absorb the workings of a real business enterprise as quickly and completely as you could. Truth be told, I felt so unprepared at the beginning of my career that I thought of quitting it before I ever really got started. Looking back, my early career path was a seat-of-the-pants journey that only began to stabilize some five years after going from job to job (and only some of those changes by choice). I worked for a printer, two design firms, and two ad agencies before I finally felt competent enough to begin freelancing—and then only on a supplemental basis. It wasn't until *years* after I had begun my career that I finally felt confident enough to take the plunge and go into freelancing full-time. And when I did, my client base was composed mainly of the few contacts I had made within the industry to feed me work, often on their premises. It didn't take me long to realize that this work-for-hire arrangement was basically a dead-end for my aspirations of running my own show. I found myself working at fixed hourly rates with no guarantees, no benefits, no opportunity for advancement, and no time to build a real business of my own.

My first big mistake was painfully realized when I bit the hand that fed me by directly contacting one of my clients' clients in an attempt to win him over. To my thinking at the time, my rationale seemed to be a compelling one for him: Since I was doing the work anyway, why wouldn't this client leap at the chance to deal directly with me and forgo the markup that he was likely being charged by my client? A seemingly sound argument except for one major factor that I hadn't considered: the strength of the bond that my client and his client shared—a genuine sense of trust and friendship that apparently transcended both creative output and compensation. As you can imagine, the end result was that I lost someone I had long considered both a client and a friend. It was a hard lesson that I wouldn't soon forget.

After recovering from that debacle, I attempted to figure out what it was I could do to grow my fledging business beyond the freelance stage. My limited dealings with full-service design firms convinced me that by now I possessed the raw talent to compete for a slice of the larger pie. What I realized I *didn't* possess, however, was the business acumen, time, or funding needed to make my vision a reality.

By that time, I was newly married with all of the financial and social responsibilities that come with that commitment. But unlike before, I felt the pressure of being backed into a corner with the need to bring home a steady paycheck instead of constantly running on what I had come to view as a never-ending treadmill of drumming up business,

doing the work, and repeating the effort all over again. And so, I tried to objectively weigh both the positive and negative sides of staying the course as an independent versus working for someone else. From a practical viewpoint, the “someone else” side always won out, but I knew that if I took that route, I’d invariably be wondering “what if”: What if I took the less challenging road of steady employment? What if I were to get fired at some point when I was too old or too entrenched with financial responsibilities to start over? What if I passed on the chance to build a real business for my family?

No doubt you’ve asked yourself these very same questions—and, since you’re reading this guide, chances are you came up with the same answer as I did then: I’d never forgive myself if I didn’t at least make an effort to “go it alone.” Realistically, I knew there had to be a better way to achieve my goal of building a respected and profitable design business, but how?

In the end I convinced myself that what I needed was a partner; someone whose vision and strengths would complement mine while taking some of the pressure off my back. The problem was, since I really didn’t have much to offer beside talent and desire, who would ever want to partner with me? It was a question that I knew would be answered more equitably once I had a record of business experience and sales behind me.

PARTNERING

A marriage of convenience?

With the decision made to stay the course as an independent designer, I'd taken the plunge and rented a small office suite in midtown Manhattan. The burden of coming up with the rent each month plus attempting to draw a regular salary was the motivation I needed to get out and hustle for business. All fine and good except that soon enough, the old problem of not being able to juggle all of the things that needed juggling really wore on me. I was spreading myself too thin, not spending enough time on any of the critical elements of my business that I knew demanded my attention. And so, the never-too-far-from-the-surface partnership question once again moved onto the front burner.

As I had done before, I convinced myself that a partnership would allow me the freedom to further hone my design skills by shifting the burden of having to deal with all of those other business-related issues to someone else. Sure, I was aware of some design-only partnerships that on the surface at least seemed to work well, but I really couldn't see how partnering with another designer would help me to realize my goal of growing a real business. Maybe it was my ego advising me, but to my mind, I wanted to partner with someone who would be able to *complement* my strengths, not compete with them.

The question was, how could I ever find such a person, and what could I possibly offer to persuade him or her to join up with me? I had no real track record, no contractual clients, and no real prospects other than my gut feeling that together, we could possibly build a viable business and in turn, realize a dream.

Somewhat ironically, the person I was searching for turned out to be one of several marketing managers as well as my primary contact at one of my clients, a worldwide delivery company. I broached the subject with him in an offhanded way over lunch one day and was genuinely surprised when he responded that he too was looking to go out on his own. After several weeks of back-and-forth negotiations, we had convinced ourselves that a partnership was at least worth a try, and thus had an attorney draw up a pretty straightforward agreement that we both endorsed.

It took only a few months for it to become painfully clear that the core business we had counted on from his previous employer had begun to dry up. Why? Who's to say? Maybe he ticked someone off; maybe it was a payback thing. Whatever happened, happened. We just had to try to move on. Thankfully, in relatively short order, we landed another anchor client, a small, family-owned natural cosmetics company. This time around, though, instead of employing my usual approach of simply relying on handshakes and verbal assurances, my partner proved his worth by securing what was for us at the time a generous monthly retainer

agreement—one that at the very least covered a few of our basic ongoing expenses. The retainer provided the cushion we desperately needed in order to prospect for additional business opportunities.

Our agreement with this client was fairly straightforward—structured to cover a set number of creative and production hours at reduced time rates in order to make the agreement appealing to the client. In the following sample agreement, I've plugged in an arbitrary dollar amount that you can adjust to suit your own circumstances if you decide to go this route. Take a look:

Retainer Agreement Between (Your Legal Firm Name) and (Client's Legal Name)

When endorsed by both parties, this agreement will cover services to be provided by (your firm name—hereinafter referred to as “us/we/our”) to (client name—hereinafter referred to as “you”) for a period of one year commencing on the date of endorsement.

In consideration of a \$12,000 annual retainer fee to be paid in 12 equal installments, we agree to provide your company a full range of unrestricted design and marketing services within our capabilities. Such services may include consultation and market research, graphic design planning

and execution, copywriting, and pre-production services as may be required on project assignments initiated by you or by your designated counterparts.

Our fee basis of \$1,000 per month is to be apportioned at specially reduced time rates of \$100 per hour for creative services and \$65 per hour for production services. We agree to maintain detailed time records of all work performed under the terms of this agreement for your review if requested. Any additional time that may be required within any monthly period must be authorized by management in writing. Invoicing will only be issued for work performed beyond the scope of this agreement as well as for all documented out-of-pocket expenses incurred in conjunction with assigned projects. All invoices are payable in full within 30 days of issue.

Work performed under the terms of this agreement is based on a regular five-day, 40-hour work week exclusive of weekends or overtime. Retainer payments are due by the third day of the month following.

This agreement is subject to review six months from the date of inception.

Accepted by:

x _____ / ____ / ____

Client's signature

Date

Client's name and title

x _____ / ____ / ____

Your signature

Date

Your name and title

Our relationship with that client was both productive and congenial during the two-plus years that it lasted. Toward the end of the second year, however, we were made aware of a medical condition that forced the company's CEO to withdraw from active participation in his business. In short order, the company reins were passed down to his son-in-law, who, no doubt seeking to put his own stamp on the business—as many do in such circumstances—opted to replace us with sources of his own choosing.

Losing that piece of business effectively put the kiss of death on our partnership. Much like a bad marriage, accusations began flying and a bitter “divorce” ensued—one that had to be settled monetarily because of the contractual terms that we both had agreed to. I ended up buying out his share of what was left of our firm only to discover soon afterward that he was attempting to solicit that very same client again behind my back—shades of *my* earlier mistake—except that this time, that breach cost him the remaining payout that we had negotiated. This, by the way, is just one of many good reasons to get all agreements in writing and to cover all contingencies.

Over the years since, I revisited the idea of entering into a partnership arrangement on two other occasions when I’d convinced myself that it would ease my burden financially and creatively, and help to grow my business beyond what I thought I was able to handle by myself. Those attempts included a client of mine who ran a small public relations agency and a colleague whom I had brought in to work with me on a couple of projects. This time around, prior to entering into possible negotiations, I asked both of these potential candidates to write down their thoughts concerning a possible partnership. Specifically, I wanted to know:

- How they viewed our respective roles in the proposed partnership
- What their expectations were for our business
- Whether we were on the same page creatively

- Whether they foresaw any roadblocks in terms of their personal lives
- Whether they were willing to invest capital as well as time in making a go of our venture
- How they viewed me personally as a potential partner

Of course, I also completed this assessment for each of them. The results of that exercise were both interesting and revealing. I suppose that both of these “tryouts” were shaded by my past experience and so, with cold feet on my part, neither came to fruition. Naturally, I’ll never know how those decisions might’ve affected my business, but looking back, I really have no regrets. Given my past experience, I realized that, for all of the positives that I envisioned, I really didn’t want the excess “baggage” of a partnership in terms of my being able to carry out decisions and directions that I may have felt were needed once the “honeymoon” period was over.

I know I’m jumping the gun in talking about partnerships this early in the guide, but since that’s a situation I fell into early on, I thought my experiences might be of value to you too. Should you consider a partnership? My advice would be this:

1. As opportune as forming a partnership may seem at the time, build a track record for yourself first. Doing so will give you the confidence—and the leverage—you’ll need to enter the partnership equitably.

2. Be aware that partnerships are subject to change over time. Creative differences, financial circumstances, and emotional upheavals, whether related to business or to family, can derail even the strongest relationships.
3. If or when you do decide to enter into a partnership, treat the agreement as if it were a marriage contract—one with an ironclad prenup. Secure the services of a competent attorney and be sure to carefully define the roles, responsibilities, and exit strategies of both parties.

DO YOU REALLY NEED A BUSINESS PLAN?

Let me begin this section by admitting that since being out on my own, I've never worked within the confines of a formally structured business plan. While others will tell you that they're a necessary tool for defining goals and tracking progress, I've always found them to be altogether too static and confining. The truth is, if your business model follows mine—and I've found that most creative boutiques do—the scope of your operation is bound to shift over time anyway, so why waste your time preparing a plan that you'll likely come to ignore as circumstances change?

That is, of course, unless you're planning to raise working capital for your firm. In that case you *will* need to prepare a business plan.

When my firm was first incorporated as Daniels/Goldberg Associates, the partner I had at the time wrote a

detailed business plan that we dutifully submitted to the Small Business Administration (SBA) in the hopes of getting a low-cost government loan to jump-start our fledgling company. A business school grad, he was well versed in writing these and had high expectations that the loan would be granted. I had my doubts. As it turned out, so did the SBA, as well as private parties to which we submitted it. To get a loan you need to show that you will be able to pay it back—something that can be difficult to demonstrate when your income is largely earned project by project.

Nevertheless, if you do feel that you need or want a business plan, you can choose one of the many models available on the Internet and adapt it to your own criteria.

BUILDING A BRAND VOICE

After dissolving our partnership some three years after it was formed, I renamed my firm Lawrence Daniels & Friends. Because of the commonality of my surname, adding “& Friends” seemed to be the only way I was able to get corporate approval from the New York secretary of state. The new firm name certainly proved to be both unique and memorable, and resonated positively within the publishing, school, and not-for-profit sectors where I continued to build my business. The work in these areas was creative, steady, and satisfying, and I was a happy camper—happy, that is, until I slowly came to realize that because rates

were generally standardized at the low end of the pay scale among these market segments, I'd probably never be able to realize much more in sales than I was currently billing. Besides, by now I was really itching to shift the business focus toward the more lucrative, more prestigious area of corporate design. In order to do that, the time had come to take a hard, objective look at where I was as a designer, where I wanted to go, and how to get there given my current circumstances.

How, for example, do clients, prospects, and colleagues perceive my firm? Do they recognize it as a real business entity or as a freelancer trying to effect a broader role? Is the firm being taken seriously enough? Will raising my visibility as a creative resource bring in more and better business? Is this the market niche that I want to stay with? Where did I want my firm to be five years from now?

Those were all tough questions, but ones that I knew had to be answered if I ever hoped to shift the direction I wanted to take. After thinking long and hard about it, I boiled down my strategy for getting there to one compound objective: increase name recognition, and work to project an image of a firm larger than the sum of its parts. Easy to state, difficult to accomplish.

I began the process of implementing my plan by changing the firm name to DanielsDesign in an effort to communicate a more businesslike persona. I had struggled with the renaming issue for some time, seriously considering using

a more generic-sounding firm name in order to distance myself from being so closely tied to the firm. My thinking at the time was that by including my name as a component of the business identity, the firm would never be perceived as anything larger than a one-person operation, which would therefore limit my chances of ever expanding its scope. On the other hand, incorporating my name into the masthead was a reality check to clients that I wasn't trying to overextend my reach; it was a means of assuring them, and assuring myself, that the personal commitment I had made back when I opened the doors—to continue to stand behind every assignment entrusted to the firm—was as resolute as ever. Bottom line: The “other hand” rationalization won out.

Part two of my plan was to increase active participation in industry awards shows and to contribute articles to professional publications. The idea was to promote myself on a systematic basis and then try to leverage the results among my target audience.

The awards shows, while time consuming and somewhat costly to prepare for, provided much more than an ego boost; they supplied a platform for my work to be seen and noted by a far wider audience of both peers and prospects than I ever could've accomplished on my own. Beyond peer recognition, the certificates displayed on my walls and website sent a not-so-subliminal message of professionalism and competence to visitors, the majority of whom were clients and prospective clients, folks who have no particu-

lar connection to the design industry beyond their dealings with the firms they hire.

Contributing commentary to trade journals proved to be an even more time-consuming undertaking, but one that proved its value in boosting awareness and credibility for me. Because these publications generally don't pay for articles, you'd be surprised (I was, anyway) at how receptive editors can be when you submit a story that they feel will resonate with their audience, you have some professional credentials to back up your byline, you're a halfway decent writer, and they're looking to fill space in their magazine.

The articles that were picked up for publication generally focused on problem solving from a design perspective—situations and solutions taken from firsthand experience and broad enough in scope to be of interest to the publication's readership. I was even able to work out a reciprocal trade arrangement with the publisher of a respected group of trade magazines to design two of their covers (with a photo and bio inside) and run free full- and half-page ads for my firm in their flagship publication.

What were the results of this self-promotion? While I can't point to any single piece of business coming to me as a *direct* consequence of these efforts, I can tell you that they definitely had a cumulative effect in building prestige and name recognition for me, and increasing awareness for the firm—attributes that would help me to transition away from

publishing and not-for-profits and toward the more profitable corporate sector that I had targeted.

Building a recognizable brand voice for your business in these ways is essential to its success. The best part is that it takes only a commitment of your time, talent, and an inconsequential amount of money to begin to see results. These are points you might want to consider as you struggle with the evolution of a business model that will help you to realize your goals.

I believe that my firm has survived—and prospered—over the years for four simple reasons: (1) I'm good at what I do and it shows; (2) I love the fact that this business allows me to interact with so many others; (3) I've made a concerted effort to understand the role of graphic design as a component of business strategy; and (4) I was determined not to work for anyone else. I would imagine that most readers of this guide feel the same way.