

Planning a Writing Business

By Erik Sherman

Writing can be many things: a craft, an art, a passion, an obsession. Yet for those who lack a trust fund, wealthy spouse or bursting portfolio, spending significant time writing requires something else. It must be a business. And every business needs a business plan. Some amateur writers mistakenly believe that their writing will suffer, or their attention from their craft will be diverted, if they take a businesslike approach to their writing. True professional writers, however, realize that they are running a business, and managing their writing careers like a business allows them to devote more time, energy and creativity – not less – to their writing.

The dichotomy between craft and commerce is thousands of years old. In *The Republic*, Plato noted that the art of making money is inherently separate from the art of a vocation, and the proper practice of one does not guarantee the success of the other. One can hone skills; getting paid, as every writer finds, takes a completely different expertise. The difficulty is keeping the balance, in honoring the craft's demands while finding a way to reasonable profit. To continue to write, a writer must learn business. Many of us, at least initially, find business a collection of such daily intricacies as record keeping, mailing and even filing. But it is far more than that. Even marketing and sales are only like the parts of an auto, components that must work together to make the car move in a given direction. To put the parts together, make them function at an optimum, and choose a direction in which to move, the writer needs to plan the business.

The first step to intelligent business planning is an understanding of what it is not. Many people think that business plans are thick stacks of paper, detailing everything from organizational structure to market strategies, which then reside forgotten in drawers. But a business plan is more than words on paper; it is a process requiring constant adjustment and reconsideration. Inadequate design - or a lack of monitoring ongoing business performance - can lead to both short- and long-term difficulties. Planning a writing business is important, and also complex. The process must address a range of topics, including the following:

- Monetary requirements
- Client management
- Cash flow
- Marketing
- Sales
- Time management

Financial investment in the business, long term client development, and even planning for subcontracting out work to others are also fair game for the business plan.

Defining the Business

Formal business planning usually starts with a definition of the business: goals, strengths, weaknesses, and operating philosophy. But having talked with many writers over the years, I've come to believe that a slightly different approach is most helpful. When most businesspeople plan their activities, there is an underlying assumption that money is important, and that a goal central to the operation of the business is the accumulation of profit. Many writers, however, fail to keep monetary motives in mind and must first thoroughly understand their economic needs and circumstances.

Small business consulting books offer a variety of techniques that can be useful. In one common model, the writer – and we can shift to second person, for that is you – must sit down with paper and pen to list expenses. Calculate everything from housing, food and clothes to gas for the car, summer camp for your children and how much you spend on books. Determine the money you need each month to live, and not at a subsistence level. Don't tell yourself, "Oh, I can get by on eating packaged macaroni and cheese every day." If you don't fully accept both what you need and what you want, your business will not have the impetus to grow. Once you have the list, add money for retirement, health insurance, life insurance, taxes and investment. Add 10 percent for your profit, because the business should generate money above what you pay yourself. This is no time to be forgetful. The final total is the amount you want – no, *need* – to make each month.

Now figure the amount of time you have available to work each month. In the average 4.3-week month, there are roughly 21 working days. Subtract at least four days of this time for marketing (more on that later), and another two days for vacation, sickness, holidays, and other time you will be doing something else. That leaves you 15 days of actual labor. With eight hours in each day – or ten, if you are like many of us – you have 120 to 150 hours of time. Take the amount of money you want to make each month and divide it by the number of hours available to you in the same period of time. That result is the amount of money you should be making every hour, on the average.

Take a deep breath, because the amount will seem daunting. Yes, it really is that large. Let it be for now. You do not have to reach this figure immediately. This is a goal and, as you will eventually see, a realistic one. There are many writers who regularly make \$75, \$100, \$150, and more per hour of their time, although the people paying for the services may not see them charged in such a fashion. For example, a magazine editor might pay by the word, a marketing director for a brochure, and a radio producer by the minute of air time. This is immaterial so long as you know how much you are receiving and how long it takes to do a particular project. Remember three things about this financial goal. First, it is an average. There are days you will make more and days you will make less. Sometimes you may happily take lower-paying assignments because of other benefits they offer, such as interesting work or quick payment. Second, if your writing does not currently offer this level of remuneration, it's a goal to aim for. Do not give yourself the out of giving up because you are not yet making the money you wish. Third, a financial goal is an attempt to set a floor, not a ceiling. If you do better than your plan, then increase the difficulty of the goal.

Once you have determined your financial needs, it's time to plan. This is complicated, because you must juggle three things – client management, cash flow, and sales – at the same time. But with practice it becomes second nature. To meet your goals, you must ensure that you book enough work. This is more difficult than it sounds. Each

piece of your income results from doing a project for a client, whether the client is a magazine, an advertising agency, a multinational corporation, or the local newspaper. When considering revenue, you must look at both the nature of the project (sales) and working with the client (client management). Sales affect cash flow (how quickly you are actually paid), cash flow affects the amount and types of sales you need to make, and the nature of clients affects everything. Every pairing of project and client has the following six factors:

- Income – the amount of money you earn from a project.
- Time – the time you will need to complete the project.
- Satisfaction – the degree to which you enjoy the particular project
- Reliability – how much you can count on the client to provide what you need to complete the project, and how regularly the client offers work.
- Payment speed – how quickly the money comes in
- Annoyance – the pain of kicking yourself while asking the question: why did I ever agree to do this project?

You must balance all these factors when considering a project and not be blinded by a single number dangling before your eyes. Many writers have miscalculated the time that a project would demand, and as a result found themselves making less than they might slinging burgers. An unreliable client can make finishing a project, and sending out that golden invoice, more difficult than it otherwise ought. No matter how lucrative a project sounds, a slow paying client can have disastrous results on your financial well-being; conversely, a lower paying project might effectively be worth more because a check arrives quickly. There are problem clients who can make even the largest sums seem inadequate for the pain and annoyance you endure. Then again, the professional satisfaction coming from a project may outweigh other shortcomings.

How much simpler could a concept be? Much. Any of these factors can change without warning. Some clients will try to reduce the size of a project after it is under way - often seen in the magazine world where a title contracts for payment by the published, not submitted, word. Others, whether due to organizational upheavals like a new editor or manager or financial problems, will cancel projects. Some will expand projects and pay more. Over time, you will get a sense of the likelihood that a project will be changed in one of these ways. Do not worry about suddenly finding yourself making more money than you expected, as this is a rare and delightful problem. Instead, look at how much of your income on the average is lost, through project cancellation or reduction, as a percentage of your total income. Subtract that number from 100, and you have your real income percentage. For example, if, on the average, you sell \$4,000 a month in writing, your total income should be \$48,000 a year. Say that a \$1,500 brochure was cancelled and a \$2,500 article was shortened; you received only \$2,080. You would have lost \$1,920, which is 4 percent of your total revenue. Therefore, the real income percentage is 96% of the revenue you booked. Perform this calculation over the duration of time you have been in business, and you will have a reasonably good idea of how much of your expected income actually comes in. Take this factor and multiply your expected revenue per month for a realistic view, over the long term, of what you will actually see.

Keeping Tabs

This is not a perfect system. There will be months when your income shortfall is greater. Over the long term, though, this planning and tracking will give you a better understanding of what you should expect to be making. You should also track the revenue losses by each client, which is part of client management. There are good customers and bad customers. At times, you will radically improve your business by replacing bad customers with better ones. One customer who regularly reduces the scope of work might be responsible for an overwhelming portion of your lost income. If you have other reasons to keep the client, such as a high volume of work or rapid payment, then be sure to perform the lost revenue percentage calculation *just on that client*. In other words, you are finding the real income percentage for that client, separate from all others, and appropriately discounting the value of any work coming in from it. Such focused attention can improve your overall accuracy at predicting income.

As you get a better feel for your real income, you can also analyze your expectations for any particular month and know how much you must still make in sales to meet your goals. (Don't count on a flush month to make up for a bad one. Better that you keep the same efforts and bank the extra money whenever possible.) Either in a spreadsheet program or on a paper grid, list the months of the year. Under each month, show a detailed accounting of the jobs you have scheduled as well as their expected income, multiplied by the real revenue percentage, and your best guess as to the number of hours the work will require. Add the figures for each month, and you begin to have an understanding of your business's financial health in advance, and not just in retrospect. If a month needs sales attention, you can determine how much more you must make to meet your goals and how many hours you have to do so. Next, take the target revenue per hour you calculated when determining your financial needs and compare it to the total revenue of a potential project divided by the time it will likely take to complete. You can now see whether the work helps you meet your goals, or fills time with low-paying work that will require you to toil even longer. Look at the total number of hours you have booked in the particular month to decide whether you have time to complete a project, or if you need a more manageable bit of writing.

Sales planning is a critical part of the process. You probably do a variety of different writing jobs, whether press releases, book or product reviews, feature articles, or brochures. When you know the amount of money you need to make and the time you have available, you can better target your sales efforts. Save longer projects, which typically take more time to sell, for the future whenever possible. Selling one to two months ahead is a fine goal that, when reached, greatly reduces working stress. Shorter, more readily available projects can be used to fill in small holes of a current month when necessary.

There is more to life than money, and the character of the client comes more strongly into play. An annoying client is one you'd prefer to avoid if at all possible. Why undergo pain in addition to the work necessary for an assignment? It is best to arrange your sales efforts to minimize the aggravations that might make you wish you were pushing a broom for a living. One of the greatest possible client problems - other than

numerous revisions, which increase the amount of time a project uses and decreases your revenue per hour -is late payment. Money unreasonably delayed affects cash flow, the rate at which money flows into and out of your business checking account, and that must become a major consideration when doing work for a publisher or company. Many businesses have found themselves in danger because while doing well on paper, actual payments came in too slowly. As you plan sales and work schedules, note how long different clients take to pay invoices. On a similar grid to the one you have just used for sales, plot when you reasonably can expect checks to arrive. As you determine your target income, add together all the expenses that absolutely must be met in a typical month. This shows the minimum cash flow that you need; any shortfall will need to be met by dipping into savings or credit lines. If you see that an upcoming month is a problem, consider rearranging your work schedule to increase the amount of funds that will show up by appropriately placing work that, even if lower in value, will more quickly result in cash.

To make the sales, you must also market yourself. Marketing involves approaching potential clients about projects. The rule of thumb is to spend 20 percent to 25 percent of your time actively marketing your services. Do not be fooled by stretches of plenty. I know a writer who let her usual torrent of queries slacken one year when work was plentiful and financially rewarding. But clients come and go, and prudence directs the constant cultivation of new ones to replace those that will leave. By taking that break from her marketing, she found herself in trouble a year later and she still hadn't fully recovered two years later. It is imperative that you never let up the process of searching for work. Set aside time every week for prospecting for corporate clients or pitching new story ideas, and remember to plan for volume. As experts in the field note, successful selling is all a matter of numbers. The more pitches and queries you send out, the more responses you get and, in the end, the more checks you cash. Increase the volume of marketing, and you will increase the volume of money. By keeping the financial aspects of business at a hum, you make room for the craft and even artistic considerations. Income is important, but deadening if that is the only reason left for writing. Plan for a variety of assignments and types of work that will feed your creativity and help your grasp of the writing craft grow.

Successful planning takes time, as well as management of that irreplaceable resource. I would heartily suggest an approach that started helping me more than a dozen years ago: the FranklinCovey planner. Break all of your marketing, sales, and even writing tasks into small items that can be listed and checked when completed. Listen to the tapes on time management and follow them with a quasi-religious fervor. Business planning may seem tedious when compared to being creative at the keyboard – except maybe when you're under a deadline crunch – but it is vital to your success and ability to work and live as a writer.

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