

Sad Storyeum

Why an entrepreneurial venture didn't work

By Tony Wanless

LESSONS

Find the right partners. Most entrepreneurs are desperate for money; but make sure to pick a financing partner who not only has it, but will understand the business you're in.

Find some friends. Friends, mentors or guides who know what you're going through can help you balance the pressure you get from the money people.

Fight the firefighting. The short-term thinking of young companies forces entrepreneurs to be in perpetual firefighting mode. But they have to take time to revisit their vision and recommit to it regularly.

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Problem: Neglecting to plan for the unpredictable

Solution: Think flexibility as much as finances

The standard advice for entrepreneurs today is to draw up a business plan. In fact, it's usually a requirement if you're seeking financing of any kind. But many business owners fall prey to a common fallacy when composing these plans. They presume the business plan is also a document that will guide them in operating their business. It isn't. It has one main purpose: to extract funding, usually in the form of a loan, from a banker or an investment by someone who thinks like a banker and wants a predictable return on their money.

Lenders or lending-style investors prize predictability above most other things. They want steady, albeit unspectacular, returns and to avoid risk (and often change) because it interferes with that predictability. To meet these demands, entrepreneurs usually skew their business plans to present an alluring picture that attempts to convey that desire for predictability.

A business plan is essentially a rosy snap-shot of the future, hidden within a very patterned and detailed format aimed at convincing lenders that the entrepreneur will, in fact, provide those steady returns with little risk. But that creates an underlying fiction. While the entire plan aims to convince lenders there will be no surprises down the road, the nature of business is that there are always surprises. And today, they're occurring with increasing speed.

PROBLEM

The idea of a business plan originated in the very predictable industry and retail sectors, and so it is usually a static (often templated) document that provides a step-by-step map for process-oriented minds, common among accountants and engineers. But most business today is much more dynamic and rarely follows defined patterns and processes.

Since the business imperative today is to continually explore new territory, disrupt and innovate, and carve out new niches, there's obviously a chasm growing between the traditional business planning approach and the requirements of the new world.

This chasm was illustrated recently when the Gastown tourist attraction Storyeum sought bankruptcy protection in August and closed its doors in October. A \$22.5 million series of below-ground theatres on Water Street, Storyeum

presented films and plays about B.C.'s history to tourists and students on educational field trips.

CEO Danny Guillaume's big idea was that history has for too long been stuffed into musty government museums or dry-as-dust history books that are completely unsuited to today's appetite for entertaining education. Guillaume is a business startup veteran who previously brought the big-box concept to video rental and pet supplies. He applied a version of the concept to education when his Historical Xperiences Inc. opened the Tunnels of Moose Jaw to highlight the history of gangsters and gun molls that lay beneath the downtown core of that prairie town. After that success, Guillaume moved to Vancouver in 2004 with Storyeum, which his research shows was appropriate for the Vancouver market.

But after two years the plan unravelled. Expected to attract a million visitors annually, it averaged only 200,000, largely because the expected tourist hordes that were going to fund the grand idea didn't show up. Also, it appears the historical storytelling approach didn't exactly resonate with the public – the product didn't fit the market.

To gain traction, a service oriented entertainment operations needs to be marketed heavily, and the reality is there wasn't enough money left over for marketing once Storyeum was built. In the first year, lenders and quasi-lending investors were tolerant, if perhaps edgy. By the end of the second year they started to panic and drove Storyeum into the sheltering arms of the bankruptcy trustees.

Buffeted by unforeseen winds, Storyeum couldn't adapt without money, but couldn't get money if it didn't execute the plan.

SOLUTION

Obviously, the best practice for a modern venture is to stay flexible so it can react to situations as they appear. But that's hard to pull off when the rubber hits the road in day-to-day operations. Most entrepreneurs who have been there will tell you that it's very difficult to focus on the big picture when you're constantly dealing with problems.

It's the classic "how do you see the edge of the swamp when the alligators are biting your ass?" question. Entrepreneurs have to be visionaries, but are often forced by organizational incapacity – and investors – to spend their time managing problems and dealing with vexatious details. This can lead to continual micro thinking and, as a result, the business usually suffers.

Entrepreneurship is an art, a constant balancing act between what a business requires and what lenders and organizational capacity demand. It's like a big race: Entrepreneurs have to focus on the finish line while lenders and managers are concerned with the individual strides that take them there.

Then along comes some unpredictable event that throws that running rhythm off and forces the runner to think about some detail, like how a big blister is growing on his or her foot. This tension between big and small usually means that for many entrepreneurs, the big picture fades. Their focus is diverted by immediacy and, admittedly, sometimes by the general murkiness of

always be reactive and flexible so it can turn the operation to solving problems created by unforeseen circumstances.

Guillaume tried the alternative-plan technique, but his creativity wasn't welcomed by investors worried that he was wandering off the set path. Also, by refining his concept in the Moose Jaw venture, Guillaume was in a way, using a version of a strategy that is becoming more common in service business.

Instead of detailing every step and following the map to the letter, you launch the business as a kind of exploration of the market. But this creates more tension. Lenders and investors tend to like the “go big or go home” approach – it provides better returns – and usually frown on businesses exploring markets with their money.

Perhaps as a kind of sick validation of Storyeum's market problems, a similar operation in Victoria, *BC Experience*, crashed a month later. After less than three months of operation, *BC Experience* racked up \$8.5 million in debt and much lower-than-expected revenues due to “record low” tourism numbers. It too fled into bankruptcy protections when its 228 creditors balked at further debt.