



Cyngor Celfyddydau Cymru
Arts Council of Wales

Business Planning Guide

Why, What and How

By Vanessa Rawlings Jackson

April 2015

Noddir gan
Lywodraeth Cynulliad Cymru
Sponsored by
Welsh Assembly Government



Supported by
The National Lottery[®]

Cefnogwyd gan
Y Loteri Genedlaethol

Contents

Introduction	2
Why	3
What	4
How	12
Appendix A	15



The Arts Council of Wales is committed to making information available in large print, Braille, British Sign Language, Easy Read and on audio. We'll endeavour to provide information in languages other than Welsh or English on request.

We implement an [Equal Opportunities Policy](#).

Introduction

This guide has been commissioned by Arts Council Wales and is intended to support arts organisations in Wales to develop and implement a business plan. Business planning can be seen as an onerous task that senior staff and boards need to undertake simply to meet funding and stakeholder requirements. However a well-structured and clearly articulated business plan can provide an organisation with a sound foundation for the future as well as the ability to be flexible, respond to change and be proactive in defining and maximising opportunities to develop and grow, artistically and financially.

A Business Plan encapsulates the ethos of an organisation and where it wants to go, while at the same time mapping out a clear and realistic route of how it will get there. It provides the route for the organisation over a set period of time, and ensures that progress is constantly reviewed and goals adjusted where necessary.

The creation of a sound business plan is not a simple task as it requires everyone in the organisation to contribute and to take ownership of what will be the road map for the next three to five years. However, once everyone has a clear and concise understanding of the why, the what and the how of creating the plan then the tasks to develop and complete the plan can be undertaken through a well-structured process.

This guide details that process from establishing the reasons why the organisation needs a business plan, to what information and resources are needed to create one and provides a range of samples and templates which can be [accessed electronically here](#).

WHY?

The question is often asked by arts organisation as to why they need a business plan – how does this relate to their creative work and what purpose does it serve? The essence of all arts organisations is the vision and the uniqueness of its creativity and business planning can often be perceived to inhibit, and for some, even stifle the artistic focus of an organisation.

However, a business plan should integrate the creative and the business sides of an arts organisation and provide a sound foundation detailing the plans, the strategies and the resources that will achieve the artistic vision. A coherent approach by the artistic and administrative leaders of the organisation in creating a plan which clearly articulates and illustrates the path that the company will take over the next three to five years, will give staff, board, stakeholders and funders confidence that the organisation is prepared for its future as well as flexible in its ability to meet and address challenges and new opportunities.

The Business Plan is the organisation's map for the future and as such:

- provides a clear, realistic, and practical blueprint for the organisation's future development
- enables everyone in the organisation, including the Board or Management Committee, to agree upon and share common goals
- ensures the participation of key stakeholders (such as funders, politicians, bankers, sponsors, community and other groups)

Additionally it can:

- support applications for financial support, for example to the Arts Council of Wales, Local Authorities, Lottery distributors, European sources
- inform strategies for particular capital, artistic, or revenue initiatives
- develop specific strategies with regard to changes in audience, participant or visitor profile
- inform reviews of organisational structure, approaches to training and HR, technological resources, or monitoring procedures.

WHAT?

Often the first stumbling block for many organisations is what should be in the business plan. There are no hard and fast rules but as this is a map for the organisation then there are important sections that will inform and support where the organisation wants to go in the next three to five years. At its most basic there are seven key sections preceded by an Executive Summary that should be included:

1. Mission and aims and clear statement of its objectives
2. An overview of the organisation
3. Analysis of the context and the market
4. Operational Resources/Staffing, Management and Volunteers
5. Timescales and Activity Plan
6. Budgets and financial forecasts
7. Milestones and Monitoring

While the majority of the business plan will be narrative, tables and financial information, there is the opportunity to include visuals such as photographs of events, performances and exhibition or artworks that clearly illustrate what the company has and aims to achieve. These should be used to enhance not replace material that will inform the progress of the organisations over the next three to five years.

Executive Summary

The business plan will need to have an Executive Summary, which should be relatively short and succinct and should include the following:

- Mission Statement
- Brief overview of the organisation –background, direction
- Activity Plan outline
- Key Stakeholders - funders, supporters, artists
- Ownership – how was the plan developed, who was involved, when the Board approved it

While the Executive Summary will be at the beginning of the plan, it is the section that will be done last as it summarises the key points in the plan.

The Mission

An organisation needs a clear statement of its mission supported by the aims and objectives that will achieve this. This is the route by which the organisation will reach its destination. The mission will normally remain unchanged unless there is radical change to the organisation and its ethos, but the plan by which it aims to achieve this needs to be should be flexible and regularly reviewed. A business plan should be a living document and allow for changes where circumstances or results make this necessary

The mission guides the planning process and is the foundation of the organisation. It should clearly articulate in a concise and coherent statement the ambitions and goals of the organisations. Many organisations stumble at this first block in the attempt to find the precise language that the mission statement should contain. While the semantics of the statement are not of prime importance the essence of it defines what the organisation does, for whom, where and how.

A Mission Statement should state clearly and concisely

- What is special, distinctive and different about the organisation
- What it aspires to do and where it aspires to do it
- For whom and/or with whom it will do that
- How it will achieve that

Aims and objectives

Aims

The aims of the organisation explicitly support the mission statement, and describe broadly the main aspirations of the business plan. They are statements of the long term desired outcomes or goals of the organisation and outline what is to be accomplished (not how it is to be accomplished) and are used to develop suitable organisational objectives. Organisational and strategic aims represent the link between mission and objectives and act as a statement of intention and tend to be positive in nature and unquantifiable, unlike objectives.

Once the aims have been established, the next task is to formulate the objectives. Generally, a business plan should have no more than a few stated aims, while it may include a number of objectives consistent with them.

Objectives

Objectives are statements of specific outcomes that are to be achieved, from the strategic to operational levels. Objectives are developed and extended from an organisation's mission statement and goals, and can be stated in financial and non-financial terms.

While the mission and aims present the aspirations of the organisation, objectives should clearly and quantifiably define the steps or tasks needed to accomplish the aims and goals, emphasise how the aims are to be accomplished. Objectives should be focused and feasible and address the outcomes. In principle objectives should be

SMART :

Specific: clearly numbered

Measurable: easily demonstrated and monitored

Achievable: within the current climate

Realistic: within resource levels available

Timed: set to an agreed timescale

This **SMART** structure is useful for testing assumptions and ensuring that they can really be implemented.

Milestones and indicators of achievements are essential to monitor progress of all objectives and the SMART structure is a useful tool for testing assumptions, and ensuring that the plan can really be implemented.

Overview and Context

Overview

This section provides an overview of the organisation and gives a background to support the plans for the future. It should not be overlong and is not a history or review of the company's activities to date. Many organisations end up writing extensive background sections that focus on past achievements and while these are important the business plan is the map for the future and so this section should be succinct and clearly articulate the context on which the organisation bases its plans for the future.

It should include the following:

- When the organisation was founded
- Major milestones in its development such as capital developments, programme developments, major appointments or partnerships
- Achievements in recent years – significant achievement such as awards, major funding initiatives, critical and artistic successes

- Organisational status: a charity/limited company
- How managed: Trust status; Board of Directors; Management Committee
- Number of staff (full and part-time) or volunteers

Context

For an organisation to develop a sound and achievable business plan it needs to understand the environment in which it works and evaluate its current and potential market. This section will include a description and understanding of the environment in which it operates, an evaluation of the numbers and kinds of people currently attending or visiting and estimates of the potential and likely demand in the future.

It should contain information about:

- Context including assessment of current trends, opportunities for growth or barriers or threats to development
- Comparator analysis
- Current audience and/or participant and user profile: its size and characteristics
- Potential audience, visitor and user profile(s): - size and characteristics
- Marketing strategy

It requires external and internal analysis to determine these factors and there are a number of diagnostic tools which can be used that give consideration to internal and external elements that do or could affect the business plan. The most commonly used tool is SWOT (Strengths, Weaknesses, Opportunities, Threats) where strengths and weaknesses are essentially internal issues and opportunities and threats external. A wider diagnostic of the external issues can be done using a PEST or STEP (Political, Economic, Social and Technological) analysis and can also include E for Environmental as this could be critical factor on areas such as touring, carbon footprint, capital development.

In undertaking these exercises it is invaluable to share these with the board, the staff and selected stakeholders. This will provide a wider and more diverse appraisal of both external and internal factor which do and could impact on the organisation. It is not necessary to include these in the business plan as it could be argued they are commercially sensitive, but they could be included in appendices. Reference to undertaking these should be made in this section as the results will be critical in informing the context in which the organisation operates and factors for success for the future, as well as benchmarking with comparator organisations and identifying the market and demand for the artistic and operational plans.

Operational Resources/Staffing, Management & Volunteers

The success of any plan relies on adequate resources and capacity to deliver it and this section will demonstrate how these are not only currently allocated, but any plans or changes that will need to be undertaken in the period of the plan to achieve the aims and objectives.

Governance

This section will detail the structure of the company and provide information on the members of the board/management committee

Most arts organisations will be governed by a board of trustees or directors who will have appointed the chief executive, artistic director or senior management. Brief description of the structure of the organisation e.g. charity, company limited by guarantee, and information on the board member such as name, profession or business, length of service on the board should be included. If there are to be any major recruitment of new members this should be included and the process by which the skills required and the process for recruitment will be undertaken.

Management and Staff

The management and staffing of the organisation including volunteers is key to ensuring that there are adequate skills and resources to meet the demands of the plan and to secure success. It is not necessary to include CVs for senior staff but a brief description of current post holder, their length of service and their experience and skills should be included with a description of the post and the responsibilities for key staff,

This section describes the existing staffing structure, detailing principal responsibilities and post holders and details of a staffing restructures or changes during the plan. It should include a description of the existing structure, detailing principal responsibilities and this can be show in an organogram (an organisational diagram), which will show the lines of responsibility and the structure of the organisation. If there is to be any staffing restructure or major recruitment during the period of the plan the timescale and if possible outline of the new structure should also be provided. (See Appendix A – Sample Organogram)

Reporting

The reporting structure and appraisal system for both the board and the staff should be described as follows:

- The reporting structure e.g. board meetings, departmental and staff meeting
- A brief summary of appraisal systems for staff and board

Policies

Information should be provided on the organisation's policies and the review process. It is not necessary to reproduce the actual policies in the business plan but a list of current policies such as Equal Opportunities, Welsh Language Policy and when these will be reviewed should be included in this section in narrative or table format.

Capital and Technical

Any requirements for increased investment in equipment, buildings, transport, or other capital improvement should be shown. This may include updating technical or computer hardware or software.

These should be costed as fully as possible in the budget with notes where necessary on how these will be funded.

Timescales & Activity Plan

A timescale and activity plan clearly defines how the goals of the company will be put into action. In order to achieve its goals the organisation needs to articulate how, what and by whom actions will be undertaken and importantly how success in achieving these will be measured. The process of creating the activity plan not only ensures that the activities align to the aims and objectives and most importantly meet the mission, but also can identify any gaps in resources or capacity at any given time in the period of the plan.

This will ensure that adequate resources, human, financial and technical, are forecasted and that there is reality check on what can and cannot be achieved. This does not mean that ambitions need to be abandoned but rather that a more strategic and long term approach may be required for certain activities where there may need to be a longer planning process for areas such as raising funds, engaging artists, securing premises.

The activity plan should include a timescale of key activities and developments, how this meets the aims and objectives, how this will be resourced

Timescales should be realistic and defined over the period of the plan showing activity for each year or period within a year and it is important to agree the activities, responsibilities and timescales with all those involved. A simple chart can be used to demonstrate this ([a sample chart is available here](#)).

Budgets and Financial Forecasts

This section contains the budget for the period of the plan including income and expenditure forecasts.

Budget

The budget will give an overall picture of the levels of income and expenditure that is expected over the period of the plan. The budget should be clearly defined for the period of the business plan and show the detail of the income and expenditure that the organisation is projecting in order to achieve the aims and objectives. This may be initially based on historical financial information but the budget should be aligned to the activities detailed in the plan. It is important to attach any notes to allocations such as funding which may have to be applied for or is not yet committed, such as when applied for and when expected. Also if there are variations from year to year such as increases in staff costs or artistic activity there should be a note attached and cross reference to the section in the plan, which will give further details.

Cashflow

A cashflow forecast is necessary as it will show exactly the timing of when the organisation will earn the income and /or receive funding and when it will need to outlay expenditure. This will ensure that there is a workable flow of money to costs including overheads and artistic costs thorough the plan. A monthly cashflow should be adequate for Years 1 and possibly 2 though the forecast for years 3 onwards may be quarterly until further information on actual income and expenditure is known. The cashflow should be updated on a monthly basis once the actual cash situation is known e.g. box office income, funding application decisions.

Milestones, Monitoring and Risk

Milestones

These will show when particular developments or activities are due to be completed. These should also include when the plan, policies and strategies such as Marketing/Audience Development will be reviewed.

The Activity Plan will provide a clear view of the milestones ahead - when particular developments are due to be completed, or particular hurdles overcome. This should be used as a regular checklist and reminder of agreed action. It should also be used in conjunction with the monitoring of financial information.

Monitoring

The process for monitoring will depend on the organisation's reporting procedures but regular monitoring should be planned in order to ensure that the agreed aims and objectives are being met and if necessary make any necessary revisions or adjustments to targets or activities to the plan.

The Activity Plan will act as a checklist and reminder of agreed action in conjunction with the monitoring of financial information to ensure that the plan is on target and within budget.

Monitoring will depend on the cycle of meetings and the structure of the organisation, but it is vital regular points are built in at which progress is examined. This will enable targets to be adjusted and remedial action to be taken if necessary

A suggested monitoring timescale could be:

Full staff team/organisation: Annually

Board/Management Committee: Quarterly

Special Finance Committee/sub groups: Quarterly (between Board/Management meetings)

Core staff group (e.g. administration/finance/ marketing): Monthly

Risk

Monitoring should include a regularly updated procedure for risk analysis and assessment. A detailed current risk analysis could be included as an appendix but the business plan should state how and by whom and how regularly risks are assessed and what contingency plans are in place to meet these risks. ([An electronic sample risk assessment is available here](#))

HOW?

Significant board and staff time is needed to develop an effective Business plan and it is recommended that there should be one lead writer who can guide the process. A good plan will express the consensus of the staff and board but will need a strong leader to ensure consistency and completion. If there is no-one within the organisation who has the skills or capacity then a consultant may be commissioned to undertake this task but it has to be remembered that it is the staff and Board who will execute the plan, not the consultant so this cannot be a stand-alone exercise.

Framework and Timetable

It is important to set out a clear framework and timetable for developing and completing the plan. A substantial amount of material and information will need to be collated, and analysed or created for each section and it is recommended that a timetable and list of those to be involved in which section, is created right from the start. Everyone involved should be consulted on the sections they are required to contribute or write and the deadlines that need to be met. Once the decision to engage in the process has been reached then a structured framework of what is required, by when and from who can be finalised. ([A template who to involve and Planning Process Timetable are available here](#))

It is important to leave ample time for the writing of the plan and the collating of the information and this should not be a hurried process if the plan is to be viable and actionable. Before starting to write the plan:

- Agree who will collect all the relevant information, and who will coordinate the writing of the Plan
- Decide on a logical deadline for the production of the final document: for example, it may need to be produced to support a funding application on a specific date.
- With colleagues agree a schedule to enable meeting that deadline and agree interim reporting dates.

Assembling the information

There is substantial information that needs to be collated in order to either inform the planning process or be included in the business plan as well as what has to be collated to support and inform the business planning process.

It is useful to initially outline what is required and to decide:

- What to collect
 - What already exists
 - What will need to be created
- Who will source it
 - Who in the organisation has the information
- Where to find the information
 - Where and how is it kept – electronically, filed, archived
- How will it will be used – which sections will it inform
 - Does it need to be edited
 - Does it need to be updated

Writing the Mission Statement

As stated earlier, the mission statement is the guiding force behind the planning process as without it there would be no plan. While the organisation needs to clearly articulate its purpose and ethos the agreement on the actual wording of the mission statement should not hinder the development of the plan. Often the concern around the semantics of the statement means that numerous drafts are created which can delay and even drain the capacity to develop and write the plan. While it is important that everyone in the organisation agrees the essence of the mission statement the specific wording can be agreed once the plan is completed and it should not be a drawn out and lengthy discussion.

Staff and the board should be involved in the creation of the mission statement if possible in joint sessions and should involve staff at all levels, and also members of the Board/Management Committee. Adequate time should be allowed internally for discussion about and agreement on clear statements for the organisation as it may take time to reach a consensus of opinion. Without this it will be difficult to formulate a plan that will be owned by the entire organisation and it may be necessary to appoint an external facilitator to help everyone to arrive at a conclusion.

AND FINALLY – THE EXECUTIVE SUMMARY

This is the last but probably the most important section of the plan and is the part, which encapsulates the purpose of the organisation, its artistic and business ambitions and how it has planned to achieve these.

The executive summary needs to be succinct and make the case and demonstrate concisely where the organisation is right now, where it want to be in the future, and why the business plan will achieve its goes over three to five years

It will summarise the full sections in the business plan and includes information ranging from the mission statement to general organisation information such as names and roles of board and key staff, numbers of employees and an overview of what the organisation actually does and most importantly aims to achieve in this plan.

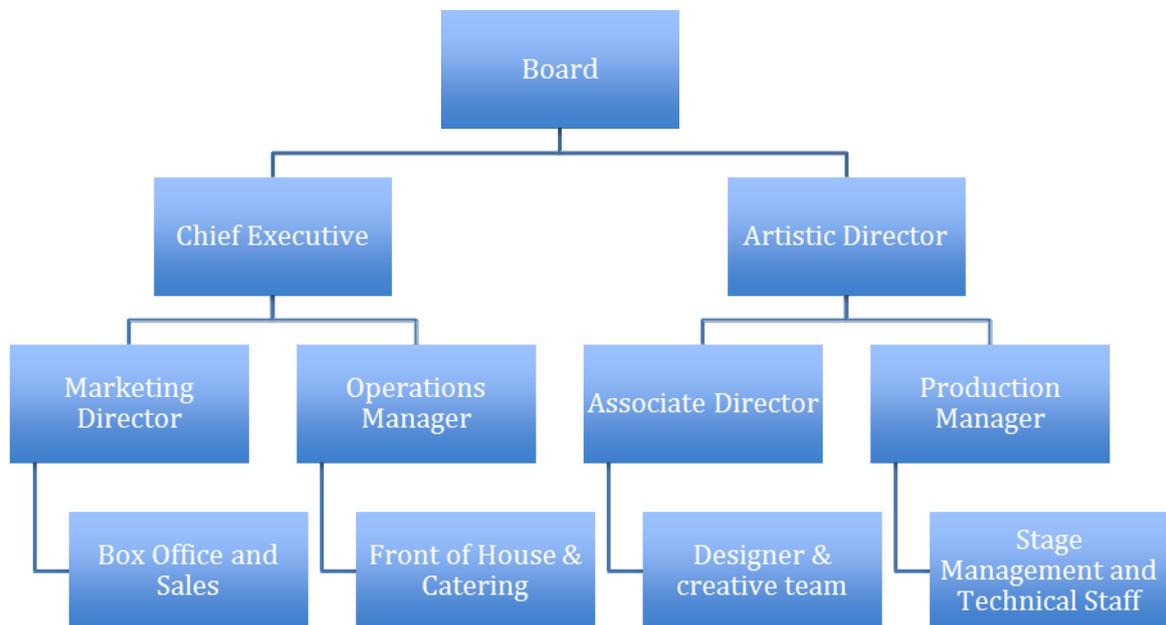
It will include a précis of the financial information and highlight where the organisation has performed well and any major milestone in its development and the future plans.

Ideally it should be no more than two pages and include:

- Mission Statement
- Proposed directions and activity-artistic visions
- Market and context
- Key Stakeholders
- Activity Plan outline
- Ownership of business plan – state who created the plan

Appendix A

Sample Organogram



Appendix B

List of templates available at:

www.artscouncilofwales.org.uk/what-we-do/funding/rfos/guides-for-organisations

B1 - Business Plan Template

B2 - Activity Plan with sample

B3 - Risk Assessment and Risk Traffic Lights

B4 - Who should be involved and Planning Process Timetable