



# Business planning guidance for creative and cultural organisations

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Commissioned by Creative Scotland

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# Foreword



In these challenging times, the need for organisations to plan for business sustainability has never been greater. From our conversations with the sector, we know that any relevant advice and guidance that Creative Scotland can offer on business planning would be welcomed. We are also aware that a few years ago, Arts Council England (ACE) published business planning guidance for the arts and cultural sector which was clear, practical, and appropriate for organisations of all sizes, art forms and creative disciplines.

We commissioned consultants Dawn Langley and Susan Royce to develop an up-to-date Scottish version of this guidance which reflects the changing context creative and cultural organisations are operating within.

Organisations in Scotland should use this guidance to help improve their own business planning processes. The business planning cycle has been broken down into seven stages to help organisations recognise where they need to apply their time and efforts.

I wish to thank Arts Council England and the consultants for providing us with the opportunity to develop this guidance to support organisations based or working in Scotland in developing their own sustainable business plans.

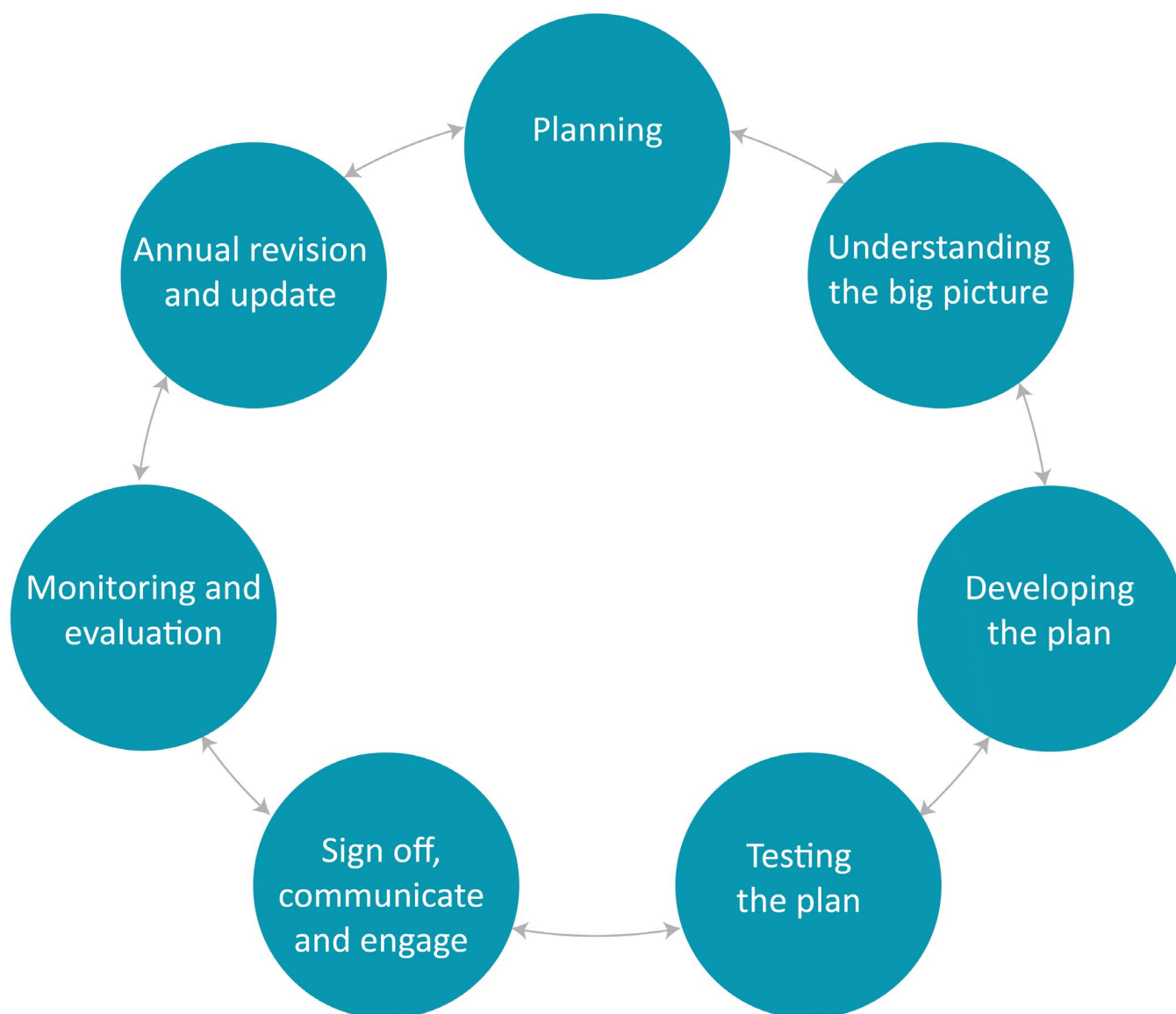
Iain Munro

Chief Executive, Creative Scotland

# Overview: the business planning cycle



This guidance is structured around the business planning cycle ensuring it takes account of the process of business plan development as well as its contents. This approach encourages you to consider the whole cycle from inception to evaluation.



# Background



## Purpose

The purpose of this guidance is simple – to help you write the best business plan you can. It is based on preparing a business plan that:

- › Collates and clarifies your business model(s)
- › Is clear, coherent and realistic
- › Has an appropriate level of ambition
- › Is attractive to stakeholders, funders and investors

## What has shaped this guidance?

In developing this guidance we have drawn on three main sources of inspiration and evidence:

- › Our own experience of working with clients in the sector
- › The wide range of available literature on business planning for both the non-profit sector and organisations more generally – some key examples are listed in Appendix A
- › Feedback from Creative Scotland and other funders on their experiences of assessing business plans for potential funding

## Context

The world in which creative and cultural organisations operate is changing more rapidly than ever before and uncertainty dominates. Reductions in public services, shifting policy priorities, and the post-Brexit operating environment are all transforming the funding landscape and impacting public need.

“Charities reported that financial concerns were their most pressing issues, 80% of charities reported that financial issues surrounding funding and running costs were among their top three challenges.”

Scottish Charity Regulator (OSCR, 2022)

Ongoing technological changes continue to disrupt and remake old industries alongside creating new ones. Movements such as #MeToo, #BLM, We Shall Not be Removed, and XR are all highlighting civil rights issues, ongoing inequalities and public mobilisation.

There have been significant shifts in the employment market with many reassessing their work/life balance and leaving the cultural sector. Confidence in public institutions has decreased alongside an increase in populism and growing concerns about the health of democracy.

Global conflict, the Covid-19 pandemic, the climate emergency, and a very challenging economic outlook characterized as a ‘cost of living crisis’ have become significant drivers of change.

We cannot control or predict the future but in trying to understand and plan for it organisations can help to shape that future and ensure that their work remains relevant and therefore successful.

# Background



Through imagining and preparing for possible futures we can work together to build greater:

- › Clarity around our purpose and ethos
- › Confidence in our ability to adapt and change
- › Understanding of how we operate and what makes us successful
- › Power to change our world for the better

## Who is this guidance for?

This guidance is for anyone who is involved in developing a business plan for a creative or cultural organisation based or working in Scotland. It is designed to cover organisations of all scales, and creative disciplines with a breathtaking diversity of purposes and activity.

The underlying principles of business planning remain the same whatever the focus of your organisation but you may have to adapt elements of the guidance to your particular needs.

The guidance has not been written as an application 'template' that current or potential Creative Scotland funded organisations should follow slavishly. It draws on good practice and you are encouraged to apply it appropriately.

While the most common constitutional form will be that of registered charity and Company Limited by Guarantee, it is not assumed that this is the only model. The guidance therefore uses the terms 'organisation' and 'business', 'board' and 'governing body' interchangeably.

## Who has produced this guidance?

The guidance has been produced by Dawn Langley (Alchemy Research & Consultancy) and Susan Royce who are both consultants in the creative and cultural sector. The guidance was commissioned by Creative Scotland and is designed to provide independent advice and support.

## How does the guidance work?

The guidance is broken into four sections:

Section A: The guidance at a glance

Section B: Business planning process

Section C: Business plan structure and contents

Section D: Suggested business planning exercises

Within sections B and C we have supplemented the guidance with practical tips and links to useful resources as well as highlighting how the process of business planning connects with wider issues of organisational governance.

There are wide ranging additional resources available online and we would particularly draw attention to the following supplementary information to this guidance:

- › [Alchemy Toolkits](#): a selection of different tools to help you with your planning and putting those plans into action
- › [Scottish Council for Voluntary Organisations \(SCVO\)](#): provides information, advice and guidance for voluntary organisations in Scotland. It exists to support non-profit organisations in making the biggest difference they can
- › [The Scottish Governance Code for the Third Sector](#): The Code sets out the core principles of good governance for the boards of charities, voluntary organisations and social enterprises in Scotland.

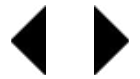
In the appendices we have also included some templates, a list of further resources, a glossary of terms used in the guidance, long links to copy and paste into your browser and a tool for assessing business plans.

## Section A: The guidance at a glance



Addressing the key questions	The business planning cycle	Writing your business plan: structure and contents
What difference would you like to make?	Planning	Executive summary
	Understanding the big picture	Vision, mission and values
Why do you want to make a difference?	Developing the plan	Aims and objectives
	Testing the plan	External environment
What do you do to make a difference now?	Sign off, communicate and engage	Resourcing
	Monitoring and evaluation	Finance
What will you do to make the difference happen in future?	Annual revision and update	Risk assessment
		Monitoring and evaluation
		Appendices

# Section B: Business planning process



## An introduction to business planning

*“A goal without a plan is just a wish.”*

Antoine de Saint-Exupéry

A business plan is, first and foremost, a tool for you to use in planning your future activities and operations. It is the story of the future that your organisation wishes to create - a **route map** not a **straitjacket**.

This section covers some of the basics of business planning including its role in governance and stakeholder management. It is based on five key themes:

1. What is a business plan?
2. Why write a business plan?
3. What do good business plans look like?
4. Governance and business planning
5. Stakeholder management and business planning

### 1. What is a business plan?

A business plan is a plan for action. It should address a number of core questions:

- › What difference would you like to make?
- › Why do you want to make a difference?
- › What do you do to make a difference now?
- › What will you do to make the difference happen in future?

It should clearly and concisely:

- › Set out the goals your organisation wishes to achieve over the plan's duration
- › Map how these goals are to be achieved
- › Explain why these goals are achievable

The plan should be developed and shared with your key stakeholders but it should not be written exclusively, or indeed primarily, at their request or to meet their needs. Your plan is neither an advocacy document nor a funding application.

Your business plan should be the key output from a thorough, robust and honest process of organisational self-evaluation and planning in which both your governing body (in most cases this will be your board) and staff are involved.

If your organisation is contemplating or being forced into a major shift in direction it should have been preceded by a careful analysis of the options facing your business. The chosen option will then form the basis for the new plan.

A business plan is a management tool. Its purpose is to help you communicate clearly to your intended readership what you want to achieve and how you are going to do it. If it is unclear, boring or unbelievable it will not gain commitment from your team or the confidence of your stakeholders.

### A note on language

The guidance uses terms most commonly found in business planning (Appendix B: Glossary sets them out in more detail). These may not be appropriate or comfortable for everyone and it is fine to use the language that works for you as long as everyone is clear on your definitions.



# Section B:

## Business planning process



A business plan is...	A business plan is not...
› A clear and coherent plan for action	› An advocacy document
› A guide to the future	› An application for funding
› A 'live' internal document which is revisited and revised annually	› Something produced to keep a funder happy
› One of the key ways in which a governing body fulfils its duties to set strategic direction and exercise prudent stewardship	› An options analysis
› A key tool for ensuring that everybody in the organisation is working towards common goals	› Something to be produced every three years and then forgotten about

“Strategic planning is a key driver for sustained organisational effectiveness”.

National Council for Voluntary Organisations

Put simply, organisations that plan well, implement effectively and evaluate honestly are much more likely to achieve their vision and goals than organisations that continue with old ways of working that are a poor fit for a changing world.

The process of developing the plan is, of itself, of great value. By standing back and looking anew at your organisation’s performance, programmes, operations and behaviours you can identify areas of strength to build on, weaknesses to be addressed and assets and opportunities to be exploited. The valuable exercise of looking outside your organisation and trying to understand how the external environment is changing will help you remain relevant. It will help you see how you might deliver your vision more effectively, make the difference you want to make and spot major threats to be dealt with.

Writing a plan and developing the accompanying financial projections should help you understand the choices you face and provide a mechanism for making those sometimes hard choices openly and collectively.

Once written, the plan is a very useful tool to help communicate your ambitions to both your staff and your supporters, helping to secure commitment to common goals internally and retaining and attracting resources from outside.

It is probably worth noting that business plans do not have the shelf life they used to have and you need to be ready to update and review at very regular – ideally quarterly – intervals.

### 2. Why write a business plan?

“Planning is an unnatural process; it is much more fun to do something. The nicest thing about not planning is that failure comes as a complete surprise, rather than being preceded by a period of worry and depression.”

(Sir John Harvey-Jones)

The process of developing and agreeing a new business plan is not an easy one and, done well, it will require a substantial commitment of time, energy and intellectual effort on the part of your whole organisation, and especially senior management and your governing body.

Beyond meeting a funder’s requirements, why bother?

## Section B:

# Business planning process



### 3. What do good business plans look like?

Before plunging into the process of business planning it is useful to step back and ask what makes a good plan, and a poor one.

In general, strong plans exhibit many of the following characteristics:

- › They are short and to the point with the core plan (excluding appendices) being no more than 20-25 pages long and in a readable font (min. 12pt)
- › They are focused on the future and not on the past or on what the organisation currently does
- › They focus on action not rhetoric – clear action plans with measures of success rather than lots of quotes from third parties
- › They demonstrate a good awareness of their external environment
- › They are built around a strong strategy tree framework
- › The text and numbers are well integrated and tell a consistent and coherent story
- › All major aspects of the organisation's activities and operations are considered
- › Challenges and risks are openly acknowledged and management strategies identified
- › There is an undue focus on history as if that is argument enough for future success and support
- › The focus is internal with little acknowledgement of the external environment and of how it might change
- › There is little or no clear sense of what 'success' would look like
- › There is little or no sense of how the organisation will change and develop
- › The words and numbers are not integrated and give the impression of having been developed separately and 'slapped together' at the last minute
- › The assumptions underpinning the financial projections are either non-existent or unclear
- › Significant elements of the organisation's activities are not discussed in the plan
- › Risks and challenges are not addressed or are seen as purely external

Weak plans tend to exhibit many of the following characteristics:

- › They are overly long and wordy
- › Aims, goals, priorities and objectives are used interchangeably and are too numerous
- › The focus is on 'selling' the organisation's unique value and its track record rather than on planning for the future

#### In practice: the business plan

If you are preparing a business plan for the first time or want to try something different it is often valuable to look at other people's plans to see what you like, what you don't, what works and what doesn't.

A good way to do this is to source examples of business plans from other charities online and then discuss them with a group of staff and trustees. Most of the larger charities and many of the smaller ones publish their plans online and they can be a great source of inspiration (and warning!). (See Section D for other business planning exercises.)

# Section B:

## Business planning process



### 4. Governance and business planning

In recent years there has been a heightened focus on the importance of effective governance, especially following the very public collapse of various charities and widespread public anxiety about the ethics of charitable fundraising.

*“When charities are in the news, it can often be because something has not been properly dealt with around the board table. Lack of good governance in an organisation can not only lead to internal turmoil, it can also have far reaching effects on an organisation’s reputation, success, and its long term future.”*

Scottish Council for Voluntary Organisations

There has been equal scrutiny of company directors in the aftermath of the 2008 financial crisis and more recent corporate crises and failures.

The board’s involvement in business planning is one of the key mechanisms through which trustees and/or company directors can discharge their legal obligations and demonstrate effective stewardship. Regular reporting against business plan aims and objectives is a powerful way to increase board engagement and raise the quality of governance.

#### **In practice: getting board members involved in business planning**

- › Try to involve board members at an early stage, both to get their buy in to the direction of travel and to draw on their experience and perspectives
- › Consider establishing a project group of board members and senior managers/staff to work on the plan together
- › Involve different board committees in supporting the development of different aspects of the plan and do not leave all the scrutiny to the Finance Committee
- › Share an outline of the plan early on to help with engagement and avoid surprises. Try not to treat the board as a rubber stamping group
- › Invite board members to consider how board development will form part of the plan
- › Explore together how the business plan can form the framework for future reporting. For example, board reports could be structured around delivery of the key aims

[Arts & Business Scotland](#) offers a range of governance resources and support for boards.

## Section B: Business planning process



**Compliance for charities:** in its key guidance<sup>1</sup> OSCR states that a charity trustee must<sup>2</sup>:

1. Act in the interests of the charity
  - i. You must operate in a manner consistent with the charity's purpose
  - ii. You must act with care and diligence
  - iii. You must manage any conflict of interest between the charity and any person or organisation who appoints trustees
2. Comply with The Charities and Trustee Investment (Scotland) Act 2005 with regard to specific duties in relation to the following
  - i. Charity details on the Scottish Charity Register
  - ii. Reporting to OSCR: making changes to your charity
  - iii. Records and reporting
  - iv. Fundraising
  - v. Providing information to the public

Charity accounts must be prepared in accordance with the Charity SORP (FRS 102)<sup>3</sup>.

A robust business planning process should be one of the key ways in which trustees can comply with these obligations and demonstrate their good stewardship.

Active participation in the process of business planning should ensure that trustees:

- › Understand the purpose for which their charity exists
- › Understand how all of the charity's activities support or further its purpose
- › Have considered public benefit in their decision making
- › Have taken, as required, balanced and adequately informed decisions, thinking about the long term as well as the short term
- › Have ensured that the charity does not over-commit

In addition, a well-designed process can enable trustees to discharge a number of specific obligations:

- › Setting, publishing and reviewing a reserves policy
- › Establishing and maintaining appropriate systems for assessing and managing the principal risks and uncertainties facing the charity
- › Overseeing fundraising

The process can also highlight the need for change around key areas of compliance such as health and safety, safeguarding and financial controls.

'Care, Diligence and Skill'<sup>4</sup> includes additional guidance for boards.

[1 Managing a charity: trustee duties](#)

[2 Guidance and good practice for charity trustees](#)

[3 Charity SORP \(FRS 102\)](#)

[4 Care, Diligence and Skill](#)

## Section B:

# Business planning process



### Compliance for company directors

Directors of companies that are not charities are not required to disclose as much information as trustees of charities but their legal duties are still considerable<sup>5</sup>:

- › To act with powers
- › To act in a way the director considers (in good faith) is most likely to promote the success of the company for the benefit of its members as a whole
- › To exercise independent judgment
- › To exercise reasonable care, skill and diligence
- › To avoid conflicts of interest
- › Not to accept benefits from third parties by reason of being a director or doing anything as a director
- › To declare an interest in a proposed transaction or arrangement

These requirements do apply to all company directors, including those charity board members and executives who are directors of charitable trading subsidiaries. Active involvement in business planning is one of the key ways in which a director can demonstrate their discharge of these duties.

As with charities, the process can also highlight the need for change around key areas of compliance such as health and safety, safeguarding and financial controls.

### 5. Stakeholder management and business planning

Business plans are primarily tools for internal strategy setting and management but they do have a key role to play in securing external support and building strong stakeholder relationships.

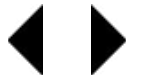
A good plan can give a funder confidence that your organisation knows what it is doing and why. A weak and confused plan can have the opposite effect, leading to an erosion of confidence and the need to invest significant senior staff time in explaining the organisation's choices and rebuilding stakeholder confidence.

#### In practice: involving stakeholders in business planning

- › Meet with your key stakeholders as near to the beginning of the process as possible to help you understand their view of your organisation, their priorities and their perceptions of the wider context
- › If you are planning a major shift of direction, signpost this early and share your reasoning before the plan is fully developed to test its attractiveness
- › Communicate your timetable and process clearly – if stakeholder feedback and/or sign off is needed make sure this is scheduled into your timetable

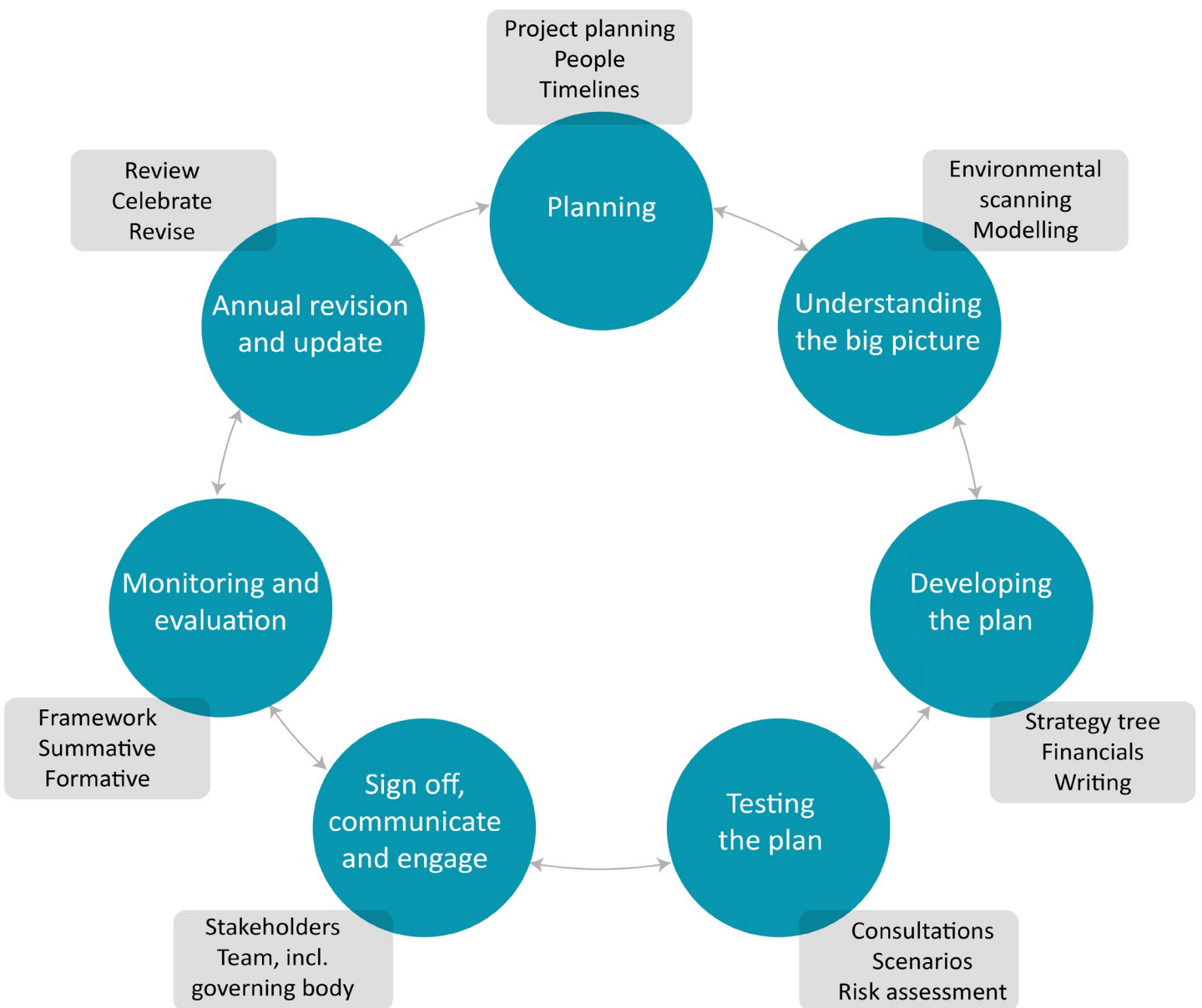
5 [ICAEW Guide to directors responsibilities](#)

# Section B: Business planning process



## The business planning cycle

This section is about the process of developing your business plan; it includes tools and practical advice and highlights the links between business planning and good governance. We have broken the business planning cycle into seven stages; the amount of time and effort needed to complete each stage will vary greatly between organisations, and they will be iterative. Missing out any stage is likely to lead to a weaker plan.



## Section B: Business planning process



Stage	Key activities
1. Planning	<ul style="list-style-type: none"> <li>› Agreeing roles</li> <li>› Identifying deadlines</li> <li>› Planning the project</li> </ul>
2. Understanding the big picture	<ul style="list-style-type: none"> <li>› Checking/agreeing the vision</li> <li>› External environmental scanning including stakeholder consultation</li> <li>› Organisational assessment including staff consultation</li> <li>› Business modelling</li> </ul>
3. Developing the plan	<ul style="list-style-type: none"> <li>› Strategy tree</li> <li>› Developing key strategies</li> <li>› Writing the plan including appendices</li> <li>› Developing financial projections</li> <li>› Milestone planning</li> <li>› Setting objectives</li> </ul>
4. Testing the plan	<ul style="list-style-type: none"> <li>› Scenario planning</li> <li>› Risk assessment</li> <li>› Stakeholder consultation</li> </ul>
5. Sign off, communicate and engage	<ul style="list-style-type: none"> <li>› Board approval</li> <li>› Sharing with funders</li> <li>› Staff engagement</li> <li>› Online publication</li> </ul>
6. Monitoring and evaluation	<ul style="list-style-type: none"> <li>› Agreeing key evaluation criteria</li> <li>› Agreeing data collection methods</li> <li>› Confirming reporting procedures and timetable</li> <li>› Reporting on progress against targets</li> </ul>
7. Annual revision and update	<ul style="list-style-type: none"> <li>› Reviewing performance</li> <li>› Identifying major internal and external changes</li> <li>› Revising the plan</li> <li>› Considering extending financial projections by one year</li> <li>› Securing sign off, etc.</li> </ul>

## Section B:

# Business planning process



### **In practice: the what ifs?**

There is a danger, given everything else that needs to be done for the day job, that the business planning process is side-lined or left to the last minute. It can also be the case that, when guidelines such as these are given, it becomes a rather formulaic 'paint by numbers' exercise. Business planning should be an ongoing, dynamic process that is part of the natural development of any organisation.

This is particularly the case given the rapid change and disruptive events we have experienced in recent years. Part of the process of developing your business plan should also include the 'what ifs':

- › What if we are 30 per cent wrong in our income projections?
- › What if our two most senior staff leave in the same year?
- › What if some new technology has a major impact on how we distribute our work?

While it is important to develop an overarching business plan, it is also helpful to have a plan B or C in mind.

Some of the pitfalls to look out for in the business planning process can be:

- › Lack of an evidence base – make sure your assumptions are justified

- › Focusing too much on past or present position – it's important to share your context but this should be a future facing document
- › Lack of recognition of planning constraints – while you should be ambitious you also need to be realistic
- › Becoming too wedded to one strategy too soon
- › Unclear strategy or goals
- › Action planning is not specific enough
- › Lack of performance/outcome indicators
- › Lack of review/update arrangements
- › Lack of organisational 'voice' – try not to produce a generic plan, it should reflect your organisation's character, passion and talents
- › Think about using charts, models and images as well as text

**Compliance:** as part of your business planning process you should be taking account of current and future legal or regulatory requirements that will have an impact on your planning. This means you will need to have up to date knowledge of these areas and someone will need to take responsibility for ensuring it is included in the planning process.



# Section B:

## Business planning process



### Stage 1: Planning

It can be very helpful to think of the development of a business plan as a project and to bring to it some of the same techniques that you would use in creating a new artwork, or running an event.

There are three steps in this stage: agree roles, identify key deadlines and plan the project.

1. Agree what roles everyone involved in the process will be undertaking

People	Jobs to be done
Trustees including Chair	Research
Treasurer and Finance Committee members	Planning
Executive	Writing
Senior managers	Financial modelling
Staff	Risk assessment
Volunteers	Review
Stakeholders and funders	Sign off
Customers	Provide feedback
Key partners	Consult

You may decide as part of the process that you want to bring in external expertise; this will need to be factored in to your resourcing and timescales.

2. Identify key internal and external deadlines and constraints such as board and committee meetings, funding commitments, holidays and internal busy periods when it will be hard to progress the plan
3. Produce a clear project plan and share it with everyone involved

### Stage 2: Understanding the big picture

This stage includes:

- › Ensuring your the vision, which may have been developed several years ago, remains relevant and compelling
- › Updating or creating a shared understanding of the organisation’s current position and of your external context
- › Determining what business model(s) the business plan will be based upon

Investment of time and effort in this early phase will pay dividends when you come to write the plan and create the budgets.

#### 2.1 A compelling vision

A vision is a statement of your reason to exist and the change you seek to make in the world. If your organisation is a registered charity it should be a powerful statement that translates your charitable objects into a call to action.

A compelling vision needs to take account of:

- › Content: the vision must appeal to followers and stakeholders alike. A content rich vision appeals to various needs and recognises what will motivate people. This differs from an ‘enterprise’ vision that tends to focus on a wide range of stakeholders and as such becomes more vague
- › Context: the vision needs to be meaningful in the context of the work you do. Time and circumstances can create a need for the vision to shift but you also need to be aware of vision drift or the ‘vision-du-jour’ syndrome
- › Credibility: ensuring the vision is inspiring will be as much to do with the credibility of your organisation’s leadership as with the content. This can be due to track record, personal style and/or persuasion. Credibility will also be judged by ensuring it is based on a healthy dose of realism and it needs to be plausible

# Section B:

## Business planning process



And is developed through:

- › Collaboration: however visionary you are the vision needs to respond to the needs, wants, desires and passions of those responsible for making it happen. Commitment develops from empowering others through the process and ensuring they have a chance to shape the vision. The process needs to be approached with an open mind, and the challenge is perhaps to envision in the early stages rather than to have a fixed vision.

### In practice: what is your vision?

- › Is it very descriptive of what you do? What you want is something that describes what you hope to achieve not what you do
- › Is it simple and straightforward? If not try distilling it into a four word sentence; what is your four word story?
- › Is it easy to remember and to tell others? This makes sure you have not made it over complicated
- › Have you lived with it for a while? You don't have to finalise the vision at the first attempt. Give it time to sink in and test it out

## 2.2 Mapping your context

Your business plan cannot be developed in isolation from where your organisation has been and is now and the environment within which it is operating. The process of reaching a shared understanding of what you are good at, what needs work, what opportunities you might exploit and what threats you need to address will enable you to build a stronger, more ambitious plan.

Two tools (SWOT and PESTLE analyses) are commonly used to do this and both are discussed below.

### 2.2. 1 External environmental scan – PESTLE and stakeholder consultation

Your organisation does not exist in a vacuum: it is part of a sector, a community, a region, a nation, an economy, a society, a continent and a world.

Developing and sharing a good understanding of how your external context is changing and may change in the future is vital to the survival and success of your organisation. It will enable you to identify new opportunities as well as threats.

The best tool for doing an environmental scan is a PESTLE analysis (you may have come across something similar with other acronyms – PEST, STEP, STEEP, STEEPLE). This tool will help you to explore the likely future environment in terms of six key drivers of change.

### PESTLE: The six key drivers of change

Politics	Technology
Economics	Law
Society	Environment

## Section B: Business planning process



### **In practice: PESTLE**

A clear and honest external analysis should give you a good sense of where your organisation is placed in the present and the different possible futures you might face.

It is not always easy to stay on top of what is happening, particularly if you have limited resources, but there are lots of resources on the web that can help:

› [NCVO Foresight](#)

Sadly, this is now an archive site but it gives lots of insight into understanding future drivers for action

› [SCVO Policy and Research](#)

Information on the voluntary sector in Scotland

› [NCVO Policy and Research](#)

The main NCVO site has lots of information on the future of the charity sector, some of which is also relevant to Scotland.

› [Future Studies](#)

A mainstream resource for future scanning

› [Futures toolkit for policy makers](#)

Futures toolkit produced by the Cabinet Office

› [Nesta Futures thinking](#)

NESTA's resources on future thinking

› [Arup Drivers of Change](#)

Produced by Arup Foresights

Have a look at other PESTLEs on the web and see the sorts of factors that different businesses are taking into account. Try not to jump to conclusions about the future based on present or past performance: they are not always reliable guides. Get other people involved so you get as many perspectives as possible. This is often something that governing bodies can be particularly helpful in contributing to as they often bring wide ranging expertise and backgrounds.

Environmental scanning should be an ongoing process. It might be worth thinking about how you will keep your insights up to date and how you will share the knowledge gained. Most crucially make sure the process feeds into an action plan – there is a danger you can feel you never have quite enough insight and that can lead to 'analysis paralysis'.

In terms of building an action plan you might want to consider:

- › What you think are the five most important external factors for your business and how you will respond to them
- › How you might influence your environment rather than waiting to respond
- › Undertaking a risk analysis against each of the factors you identify so you can determine their potential impact and importance

## Section B: Business planning process



### 2.2.2 Organisational assessment – SWOT, staff consultation and other self-evaluation tools

In the same way that you need a good understanding of your external environment you also need to develop an honest and holistic view of your organisations internal context. The most commonly used tool for doing this is a SWOT analysis. This tool assesses your organisation in terms of its strengths and weaknesses, opportunities and threats.

	Internal and present focused		
Helpful	Strengths	Weaknesses	Harmful
	Opportunities	Threats	
	External and future focused		

Once completed a SWOT should provide you with valuable information on your potential strategic choices.

#### **In practice: SWOT**

The humble SWOT is a much loved but often under-utilised tool. It is very helpful for bringing everyone who knows the organisation together and for sharing different perspectives. There is no reason why you can't involve your customers and stakeholders as much as the immediate team. The most common weakness of using the tool is that it is restricted to a small group and is seen merely as a requirement for the business plan rather than an active tool.

There is also a danger, as with any self-assessment tool, that we see what we want to see rather than really probing our strengths and weaknesses. There are two simple ways to help reduce this risk:

- › Once you have completed your first draft check it with people who have not been involved but know your organisation well. Are there any areas of disagreement? What gaps do they think there are?
- › After you have your first draft have another look at your answers and for each one ask yourself honestly what evidence you have to make those statements. Identify where there are any gaps in evidence and decide what you will do about it

Once you have been through at least two iterations and have an agreed SWOT you need to make sure you put it into action. All aspects of the business plan should be responding to what it has highlighted:

- › Have you demonstrated how the opportunities you have identified are a good fit with your strengths?
- › How will you address minimising your weaknesses to pursue the opportunities?
- › What strategies are in place to use your strengths to reduce your vulnerability to external threats?
- › How will you prevent your weaknesses making you more susceptible to external threats?

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### 2.3 Business modelling

“A business model describes the rationale of how an organisation creates, delivers and captures value. “

(Osterwalder and Pigneur, 2010: 14)

Business plans must, by their very nature, assume a knowable future, even though we are living in a world in which events can all too easily overtake our plans. Working with business models allows for possible responses to the unknown and unexpected whilst ensuring that everyone understands how the organisation creates value and delivers its core purpose.

Exploring alternative models and deciding what business model or models your plan is designed to deliver should make for a stronger and more resilient plan.

#### **In practice: working with business models**

There are a number of great tools for developing and testing new business models. We would recommend the following (further details are provided in Appendix A). All of these models are very visual and can be used effectively, and enjoyably, by staff and governing bodies.

- › Business model canvas developed by Osterwalder and Pigneur (2010)
- › Business model navigator developed by Gassmann, Frankenberger and Csik, M (2014)
- › Matrix Map developed by Bell and Zimmerman (2015)

### Stage 3: Developing the plan

Having reaffirmed or redefined your vision, explored your context and options and decided what business model(s) your plan will be designed to implement and operate, you are ready to develop your plan. Our suggested approach has six tasks:

1. Develop a strategy tree to provide a framework for your plan
2. Develop key strategies to underpin the main plan
3. Write the plan itself, including appendices
4. Develop your financial projections
5. Develop a milestone plan to provide a timeline for your plan
6. Agree key objectives

These are set out in the order they usually happen but developing your plan should not be a linear process and each area of work will inform and often change all of the others. For example, detailed strategy development may force a change in the strategy tree, or the process of developing your milestone plan may necessitate a re-phasing of the financial projections.

#### 3.1 Strategy tree

A strategy tree is a one page explanation of how all the elements of your business plan connect and work together to deliver your vision for change. Developing a strategy tree for the business plan should help you demonstrate to others how you have thought about developing your organisation. There needs to be a very clear connection between the big ambition or purpose and the detail of how you are going to achieve it.

# Section B: Business planning process



Your vision, mission and values define your core purpose and ethos; they are why your organisation exists and what you collectively believe in. These core elements are constant over a long period of time although the words used to express them may change.

Your aims are those areas of development you want to focus on for the lifetime of your plan to fulfill your mission. They are broad statements of intent. To complement your aims you need to be clear about how you are going to design and deploy the resources of your organisation to deliver on your chosen aims.

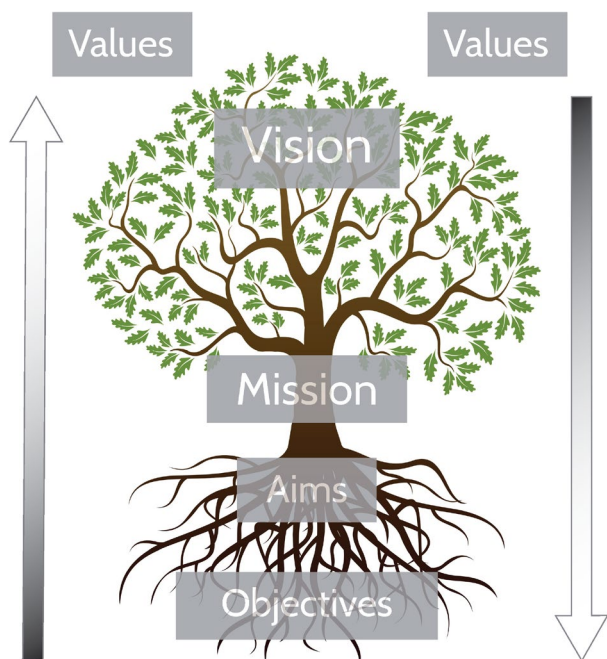
The practical implementation of these aims and resourcing choices then needs to be translated into detailed objectives, budgets and plans.

By approaching planning in this way you can tie every objective directly to your aims and vision and clearly demonstrate how your values support your vision and how they shape the way you work. Everyone can identify how their work fits in and contributes. The contribution that your programmes and projects make, or don't make, to your organisation's mission can be clearly seen.

## Section B: Business planning process



The metaphor of a tree is a powerful and apt one.



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Your organisation's values are the air that the tree needs to convert into energy. The vision is the canopy with the branches forming the shape of your organisation. The mission is the trunk connecting the roots and the canopy. The aims are the major roots whilst the objectives are the branching root system that anchors and nourishes the tree. All the parts are interconnected and interdependent. Both the roots and the canopy are essential to the tree's survival and growth.

### 3.2 Key strategies

Your business plan will need to be underpinned by more detailed plans in a number of key areas including those that funders have identified as mandatory.

The individual or team who will be responsible for delivering the agreed aim is best placed to develop these plans. These strategies should directly tie into the aims and resourcing plans set out in the strategy tree.

It can be helpful for these plans to have a common format. The following is a list of the areas in which it is likely that strategies will need to be developed. The list is not exhaustive and is a guide only.

- › Programme
- › Participation and engagement
- › Customer or audience development
- › Organisational development including: board development, skills development, systems enhancements and equality/diversity/inclusion
- › Income generation: trading and fundraising
- › Capital investment

### 3.3 Write the plan

You are now ready to write your plan. Everyone who is involved should have a clear sense of what you want to do over the next three to five years, why you want to do it and how you are going to do it.

In the next section on writing your plan we have set out a possible structure for you to use and further guidance on the contents of each section.

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### In practice: writing the plan

Beware the tyranny of a perfect first draft! Writing the plan should be an iterative process allowing you to change your mind and develop new ideas as you go. Ideally, try writing as you go rather than collecting lots of data and then producing the whole plan in one go. There is a tendency in tackling it all at once that the writing gets left until close to the deadline by which point there is minimal opportunity to consider major changes in strategy.

If you involve different people in writing the various sections, ensure you have one appointed editor who can pull everything together into a coherent document.

There are a number of tips to keep in mind while writing the plan:

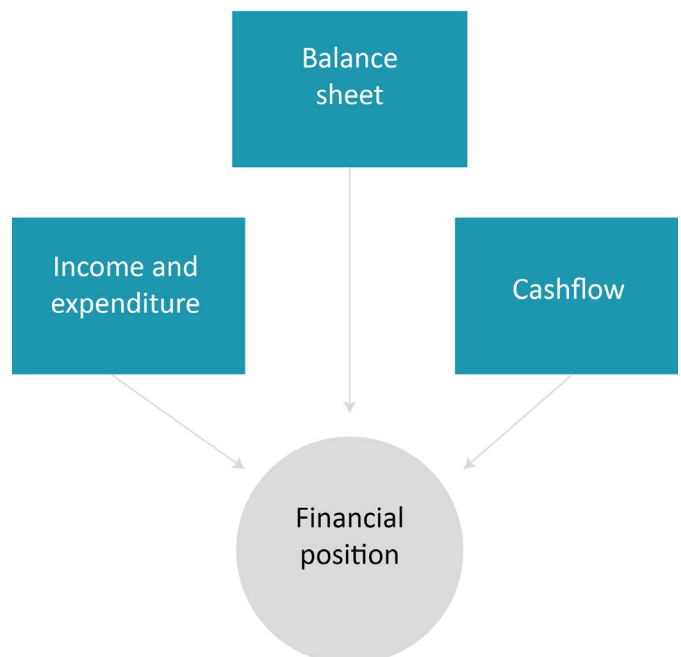
- › Keep it short and concise
- › Keep any history short – it is useful for context setting but the future is the main focus
- › Leave yourself enough time to draft and re-draft
- › Don't assume you can just re-jig the last plan with a few tweaks
- › Make sure there is a consistent voice that is recognisable as your organisation
- › Write the plan for you first – it is your working document
- › Remember it is a working document so make sure everyone responsible for implementing understands what is expected

### 3.4 Financial projections

Financial projections should never be developed in isolation. They should set out clearly the anticipated financial consequences of the ambitions and activities set out in the rest of your business plan. It should be possible to trace the impact of the changes you plan to make through into the figures.

The finances of any organisation have three interlocking components. The past, current and future financial performance of any organisation can only be understood if all three components are considered.

**Income and expenditure** – costs and income that relate to the activities carried out in the year to which they belong.





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**Balance sheet** – a summary on a given date of the assets, liabilities and reserves of the organisation, often called a ‘snapshot’ of the organisation’s financial position

**Cashflow** – a projection, usually on a monthly basis, of how cash will flow into and out of the organisation’s bank account. Cash and income and expenditure are not identical and may vary widely due to depreciation (a non-cash item), grants in advance, tickets in advance, contracts based on payments by results, debtors paying the organisation late or the organisation deferring payment to its own creditors.

The scale and sophistication of your financial projections will vary according to your size, ambitions and the complexity of your proposed business model(s).

### In practice: building your budgeting model

Before you start plugging in new numbers it is useful to step back and check that the spreadsheet model you are working with is still appropriate for the projections you want to create.

- › Do the headings or income and expenditure lines need changing?
- › Do you need to add in new worksheets to model new activities?
- › Is the level of detail appropriate? Too much detail and it is hard to see the big picture; too little and the figures will not be useful or convincing
- › Can you model the costs and income associated with each of your key areas of activity so you can see what level of investment each area needs or what level of contribution (to overheads) it could generate?
- › Can you easily change key assumptions without having to re-key a lot of data?
- › Can you use your model to ask ‘what if’ questions easily and quickly?
- › Have you made sure that each number is only keyed in once and then linked elsewhere as needed? If not, errors can easily creep in
- › Is your model well integrated so you can explore the balance sheet and cashflow effects of your planned changes without having to create more spreadsheets?

Almost invariably the first set of projections will predict an unacceptable financial outcome; this is normal and should reflect both your ambition for doing more work and your caution around costs. Do not panic!

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### 3.5 Milestone planning

A milestone plan provides a high level timeline that maps out your organisation's planned journey for the next three to five years. Preparing a plan will allow you see how planned activities and developments interconnect and to identify pinch points.

We recommend a milestone plan that focuses on achievement rather than a Gantt chart that focuses on doing things.

#### **In practice: milestone planning**

A milestone is a checkpoint in the project that ensures that you are on the right track. It is a description of a state the project should be in at a certain stage. It describes what the project should achieve, not how. As much as possible, a milestone should be neutrally stated in regard to ways of obtaining it.

A state often means that a deliverable has occurred. 'Deliverable' means: a planned result, a signed contract, or perhaps an accepted sale.

*“Most people...are not accustomed to thinking in terms of states. People are usually and mostly concerned with activities. Therefore, awareness is required when formulating milestones so that there is a real focus on states... many different activities may lead to a certain state.”*

Andersen, E S, Grude, K V and Haug, T (2009),  
Goal Directed Project Management

#### **Checklist for developing milestones**

- › Can all milestones be defined by a sentence starting with 'When we have...?'
- › Do they focus on 'what' not 'how'?
- › Are all milestones natural and clear for every team member?
- › Do all milestones represent important decision points and/or important deliverables?
- › Are there less than 15 milestones? If not can they be grouped?
- › Are all milestones controllable and robust in light of possible changes in the project environment?
- › Is the way that each milestone is going to be controlled adequately outlined in the definition?
- › Can the achievement of each milestone be measured?
- › Has the team seriously considered enough alternatives?
- › Are successive milestone dates separated by at most two to three months?
- › Are the milestones reasonably spread out or are they all concentrated in the early period of the plan? If so, consider re-distributing them

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### 3.6 Objectives

The defining characteristic of objectives is that they are SMART: specific, measurable, achievable, realistic and timed. To be SMART an objective must combine at least two of the following: time, money, quantity and quality. For example:

- › ‘We will secure an 80 per cent customer satisfaction rating by the end of the year’
- › ‘We will fully implement new terms and conditions of employment by next financial year’
- › ‘We will sign up 10 new patrons by next April’.

Setting SMART and appropriate objectives is a very important part of business planning. They set out clearly what you believe you will need to do in order to achieve your aims and they provide clear measures of success for both your organisation and your funders to measure performance against.

Objectives can be set for your whole organisation, for departments or teams, or for individuals as part of your performance management system. For the purposes of preparing a business plan we are concerned with objectives for the whole organisation and teams.

Your plan should identify a number of key objectives that are directly linked to the achievement of your aims. If you have five aims it might be appropriate to have five objectives for each aim, making a total of 25 key objectives to report to your board and funders against.

#### In practice: setting objectives

Less is more – it is better to choose a few priority objectives and focus on delivering on those rather than identifying a shopping list and becoming disheartened by its length.

There is no point in setting an objective that you are not going to monitor and report against – for every objective set you need a way of collecting the relevant data upfront.

Set objectives that are stretching but not unrealistic – if you achieve every objective you probably set your sights too low but if you cannot achieve a large number it is demoralising and suggests that you were too ambitious.

Spread your objectives out over the lifetime of your plan – do not put them all at the year end.

### Stage 4: Testing the plan

The purpose of this phase is to test the plan so that you, your governing body and your stakeholders can be confident that the plan can be delivered. We suggest three key ways to do this:

- › Scenario planning
- › Risk assessment
- › Stakeholder engagement

#### 4.1 Scenario planning

No business plan is ever delivered entirely as it was originally envisaged. Staff change, partnerships evolve, events happen and new opportunities emerge. The future is unknowable but you can, and should, consider what might happen if some of the key assumptions you have made do not play out the way you planned.

## Section B: Business planning process



You might want to consider some of the following:

- › Further substantial reductions in public funding
- › Failure or withdrawal of a major partner or project
- › Failure to deliver a planned capital project
- › Loss of key staff and/or board members
- › Significant delays in key development activities
- › Increase in competition for customers, e.g. a new venue opens up

To do this, you should identify the major areas of risk and uncertainty and model, in outline only, what might happen if these risks materialized and how you might manage the resulting situation. The following resources may help you:

[Scenario Planning HBR: living in the futures](#)

This process will give you and your stakeholders confidence that you can continue to deliver your mission in a financially viable manner even if events turn out differently to how you planned.

### 4.2 Risk assessment

Risk management has become a major focus of corporate governance generally, and charities in particular, in the past decade. There are extensive resources available online to help charities and other non-profit organisations develop a robust approach suited to their size and business model. These resources include the following:

[Institute for Risk Management](#)

[Sayer Vincent: Risk management made simple](#)

A common type of risk assessment is structured as follows:

Risk	Unadjusted risk rating			Management action		Revised risk rating
	Probability	Impact	Combined	Action	Responsible	
Describe the risk	Likelihood it will happen (give a score)	Effects of risk event (give a score)	Add Probability and impact scores	Describe the action you will take	List who is responsible	Overall risk rating

# Section B:

## Business planning process



### In practice: risk management

- › Involve people from across your organisation in developing your risk management assessment; their different perspectives will allow you to develop a much stronger risk assessment
- › What are your top 10 risks?
- › Do you have clear plans to manage all of them and have you allocated sufficient resources (time and money)?
- › How do you plan to update your risk register regularly and not just annually to keep the auditors happy?
- › Consider asking one board member or committee to take responsibility for working with the executive to review and update the risk register regularly
- › How can you use your risk register as an active management tool?

**Compliance:** risk management is one of a board's most important duties and it is vital that trustees are able to identify the major risks that apply to their charity, make decisions about how to respond to the risks they face and make an appropriate statement regarding risk management in their annual report. These disclosure requirements are set out in the Charities SORP (FRS 102).

The business planning process can be used to test the current risk register (if one exists) or to start the process of preparing one.

It can support the establishment of a culture of proactive risk management across your organisation.

### 4.3 Stakeholder consultation

You should now have a clear and robust plan that combines the right balance of ambition and risk. Before signing off the plan it is usually helpful to talk your plan through with your key stakeholders:

- › Explain its key elements
- › Set out its benefits
- › Point out the risks
- › Draw stakeholders' attention to assumptions you have made about their future support and test them
- › Ask for feedback

As well as avoiding unpleasant surprises, the process of explaining your plans to an interested outsider is a great opportunity to test your own understanding.

### Stage 5: Sign off, communicate and engage

Your business plan is now complete. The next steps are to secure final sign off, share it with stakeholders and engage staff in its delivery.

#### 5.1 Board approval

Your board members must formally sign off the business plan and their approval should be minuted. If they have been involved appropriately throughout the process this should be straightforward as there will be no surprises.

The moment of sign off can often be one of celebration tinged with relief. It is worth taking the opportunity at this point to start a conversation with your board about how you might want to adapt your reporting regime to match the changes envisaged in the plan. It can also be useful for the board to discuss how they, collectively and individually, could support the plan's successful implementation.

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### 5.2 Share with any funders

The plan, in whole or in part, should now be formally shared with any of your organisation's funders. The mechanisms for this will vary. If the planned changes are substantive and have not been previously communicated you should arrange a face-to-face meeting.

Funders have different priorities and interests. If your organisation has a number of different funders it can be very helpful to prepare a short summary of how your plans directly relate to their goals. This allows you to develop a plan that works for your business but also supports you in explaining its relevance to your funders. Such a summary can form an appendix to your plan or a separate document.

### 5.3 Staff and volunteer engagement

All staff and volunteers should be aware of and understand the key elements in your new business plan. Their individual objectives should directly relate to the plan's ambitions; their commitment or lack of it will determine the plan's success or failure.

It may be appropriate to share all of the plan or only part of it. Emailing the plan out to all employees and volunteers is rarely an effective mechanism for securing buy in. A more effective model would be to hold an all staff event, schedule team meetings to allow small groups to explore the implications for their work and hold one-to-one meetings to allow staff to raise concerns and explore 'what does this mean for me?'

### 5.4 Online publication

You are not obliged to publish your business plan online but an increasing number of organisations are choosing to do so to boost accountability and support fundraising. Most organisations publish an edited version without appendices and excluding most financial, commercially sensitive and confidential internal information.

### Stage 6: Monitoring and evaluation

An important aspect of the business plan process is ensuring you know whether you are being successful in accomplishing what you set out to achieve. This process is easier if you set out your monitoring and evaluation processes, methods and approaches at the outset (see also pages 34 and 35). That way everyone can contribute to collecting the most appropriate data, helping you analyse performance and deciding on any necessary changes in approach.

### Stage 7: Annual revision and update

Your business plan should be revisited and updated annually. The extent of the revisions will vary greatly and you will rarely need to do a full re-write. If everything is on track there will be a few, relatively minor changes to reflect:

- › Changes in the external environment
- › What you have learnt during the previous year
- › Changes in the timing of initiatives and projects
- › New opportunities that you have identified and decided to pursue since the plan was approved
- › Projects that you have completed or decided not to take further
- › Significant changes in staffing
- › Your financial performance to date
- › Changes in the key risks you have identified and are managing

If a major re-think is needed then a more in depth process will be required.

Your updated plan should be signed off by the board and shared with your staff and stakeholders as before, although the process is likely to be more light touch than for the launch of a new plan.

# Section C: Business plan contents and structure



## Writing your business plan

This section offers advice on the structure and content of your plan; it includes both tools and practical advice and highlights the links with good governance.

### What time period should your business plan cover?

A business plan will usually cover a period of between three and five years. A one year business plan is really just a budget with a commentary and objectives, while forecasting more than five years into the future is very challenging and usually not very meaningful at the scale most arts and cultural organisations operate.

### What should your business plan include?

The following is a summary of the key elements that all plans should contain and a list of the main elements that it is usually useful for them to contain. This guidance is not meant to be prescriptive or to recommend a template for completion but rather to offer a structure that you can flex and adapt to meet the circumstances of your organisation; it is a starting point not the end result.

Essential	Desirable
<ul style="list-style-type: none"><li>› An executive summary</li><li>› A statement of the organisation's core purpose</li><li>› A statement of the organisation's key aims for the period of the plan</li><li>› A high level explanation of how these aims will be achieved</li><li>› An explanation of how the organisation will manage and develop its resources (people, assets and systems) to deliver on the plan's aims</li><li>› A risk assessment</li><li>› Financial projections</li></ul>	<ul style="list-style-type: none"><li>› A brief description of the organisation, its history, current structure and key activities</li><li>› A brief explanation of how key drivers for change, internally and externally, have influenced the plan</li><li>› An explanation of how the organisation will monitor and evaluate its performance</li><li>› Summaries of key strategies as appendices, e.g. fundraising, audience development</li></ul>

A short explanation of each key business plan element is given below. Clearly the nature of each element – its content, complexity and sophistication – will vary greatly from organisation to organisation depending on its scale, place in its organisational life cycle, ethos and culture.

# Section C:

## Business plan contents and structure



### **In practice: create your 'typical' business plan contents page**

A business plan that is built upon a strategy tree and includes the essential and desirable elements identified above would have a contents page along the following lines:

- › Executive summary (1 page)
- › Introduction (2 pages)
- › Vision, mission and values (1 page)
- › External environment (2 pages)
- › Aims – summary with a page for each aim (6 pages)
- › Resourcing (2-3 pages)
- › Finance (2-3 pages)
- › Risk (1 page)
- › Monitoring and evaluation (1 page)
- › Appendices (as many pages as you want)

It is not easy to produce a plan this concise. Your first draft will be longer and will need editing. Stick with it because keeping the plan short will encourage you to focus on the key elements of your future story. Making it short also makes it much more likely that people will read and use it.

### **1. Executive summary**

This is a one or two page summary of the plan, an abstract, a précis or a storyboard. From the summary a reader will be able to understand the key elements of your organisation's planned journey.

### **2. Introduction**

This is a one or two page summary that sets the scene for readers who may not be very familiar with your organisation.

It might include the following:

- › A brief history
- › An outline of your current activities, structure and scale
- › Some key recent achievements

### **3. Vision, mission and values**

This is a high level statement of your core purpose and ethos: why your organisation exists, who it exists to benefit, what it does and what it believes. It can take various forms but the most common is a combination of vision, mission and values.

### **4. Aims**

Aims are the key areas upon which the organisation intends to focus upon over the lifetime of the plan. They usually concentrate on areas of change, development or challenge rather than business as usual.

Aims are broad statements of intent and should not be confused with objectives. Strategic aims lose their impact if there are too many and people cannot remember them; the ideal number is five and the maximum is 10.

You can either have an aim or two for each functional area such as the programme, audience development and finance, or you can have thematic aims that cut across the organisation such as diversity, creative practice and community engagement.

The latter can be very powerful but are harder to formulate and embed. Examples of possible aims could include: 'increasing our engagement with our local communities', 'improving the scale and impact of our touring programme' or 'building a more resilient and diverse organisation'.



# Section C:

## Business plan contents and structure



Readers of the plan need to understand why you have chosen a particular aim and what achievement of the aim would mean. A possible structure for this within a plan would be a page per aim with the following headings:

- › Aim
- › Current position and why this aim is important
- › Issues and challenges associated with achieving the aim
- › Future direction and/or what success would look like
- › Plans for board or governing body development: for example member recruitment, succession planning for key roles, policy development, creation of new committees, and board involvement in fundraising
- › Plans for capital maintenance and development
- › Plans for investment in intangible assets such as intellectual property and brands
- › Major anticipated systems changes: for example a move to cloud based applications, a new box office system or a new donor management system

### 5. External environment

This should set out a succinct explanation of the internal and external factors that have most strongly influenced the shape of the plan and the business model it is based around. Often these will have been identified by undertaking SWOT and PESTLE analyses.

### 6. Resourcing

This section is a summary of how your organisation will invest in the development of its resources (people, systems and assets) to support delivery of its aims. It could include some or all of the following:

- › Significant anticipated changes in your organisational design
- › Organisational development plans: training and development, diversity and equality plans, changes to terms and conditions, policy development, staff engagement, and volunteer development
- › Planned changes in the governance structure: creation of subsidiaries and arrangements for control over subsidiaries

### 7. Finance

This section should tell the financial story of the plan and explain how the organisation's financial model will change over the lifetime of the plan. A summary of the key numbers should be provided in the plan with the detail appearing in the appendices.

The quantity and sophistication of the information needed to demonstrate your plan's viability and to provide a framework against which to measure its financial performance will need to be appropriate to your scale, activity and available expertise. There are a number of common principles:

- › The plan and the financial projections must tell a consistent and coherent story – the ambitions in your narrative must be realistically reflected in your numbers
- › The projections must be understood by all those who are responsible for implementing and monitoring performance
- › The inclusion of graphs and charts can encourage stronger and deeper engagement with the figures by those without specialist financial skills

# Section C:

## Business plan contents and structure



- › The level of detail should be appropriate and not overwhelming
- › Greater focus should be given to areas of higher risk and volatility

The finance section must be more than a table of numbers with a short commentary and will usually have three elements:

1. Financial plans
2. Projections
3. Strategies

### *Financial plans*

This section should include a brief commentary on the key changes in your plan including the following:

- › Major planned changes in your financial model such as income diversification, changes in your pricing model(s), cost reduction, workforce changes and alterations in public funding levels and models, new ventures and partnerships
- › Significant capital investment
- › The impact of changes in your model on the organisation's cashflow and working capital – timing and predictability
- › Planned compliance with your reserve policy

### *Financial projections*

A meaningful set of financial projections must include information on all three components of your financial model (income and expenditure, balance sheet, and cashflow) and not just income and expenditure.

Your financial projections must clearly set out your best estimate of the financial inputs that will be needed and the financial outputs that will be generated by the implementation of your plan.

Your projections must demonstrate how your organisation will progress towards achieving the targets set out in its reserves policy. This will involve budgeting for unrestricted surpluses unless your organisation has excess reserves.

Your projections must demonstrate that your organisation will remain solvent over the period of the plan and that you will be able to cashflow your operations and any planned capital investment.

Finally, your projections must demonstrate that you have taken reasonable steps to allow for unpredictable outcomes and financial under performance. This is usually done by establishing contingencies at a global level (x per cent of total costs or income) or by creating specific contingencies relating to areas of greater uncertainty such as fundraising, ticket sales and variable costs.

As a minimum your financial projections should include the following:

- › A clear set of assumptions that cover the major items of income and expenditure
- › Income and expenditure projections for all three years of the plan together with the latest forecast for the current year and the audited results of the prior year. Costs and revenues should be allocated between key departments or business areas, e.g. performance, education, audience development, fundraising and overheads
- › Projections of unrestricted funds for each year of the plan
- › Cashflow projection for the first year of the plan
- › Projected capital expenditure for each year of the plan

## Section C:

# Business plan contents and structure



### In practice: developing financial projections

- › Does the text of your plan and the numbers tell the same story?
- › Can you read clearly across from the text to the numbers and back the other way?
- › Are the key assumptions clearly stated?
- › How can you present your financial projections in ways that allow everyone who needs to understand them (staff, board members and funders) to do so?
- › Have you included graphs and charts to help tell the story and illustrate the key financial trends?
- › How well do the financial projections and the risk assessment link up and tell a consistent story?
- › Do the income and expenditure, balance sheet and cashflow forecasts all use the same data and are they consistent?
- › Have you checked that everything adds up? One of the most comprehensive reviews of spreadsheet accuracy concluded that 94% of spreadsheets contained errors.<sup>6</sup>

**Compliance:** Having a reserves policy is not a legal requirement, but it can help you to meet your legal responsibilities and fulfill your charity trustee duties.

- › Have you revisited your reserves policy as part of your business planning process?
- › Do your financial projections take account of your reserves policy target and demonstrate how you will move towards meeting it?

If you are a larger organisation, have qualified finance staff or have a complex business model your financial projections should include the following:

- › A clear set of assumptions that cover the major items of income and expenditure. Common areas to be covered include the following:
  - › Cost inflation and pay increases
  - › Taxation including VAT recovery rates, Theatre Tax Relief and Employers' National Insurance
  - › Headcount and activity levels (e.g. number of performances)
  - › Basis upon which budgeted sales are calculated (e.g. ticket yield, audience numbers, secondary spend per head)
  - › Basis upon which gross margins/contribution are calculated (e.g. gross margin on wet and dry café sales or the likely contribution to overheads from project work funded on a restricted basis)
- › Income and expenditure projections for each year of the plan together with your latest forecast for the current year and the audited results of the prior years. Unrestricted and restricted income and costs should be separately identified unless they are insignificant. Costs and revenues should be allocated between key departments or business areas, e.g. performance, education, audience development, fundraising and overheads
- › Balance sheet projections for each year of the plan together with the latest forecast for the current year and audited results for the prior year. This should include funds projections split between restricted and unrestricted funds
- › Cashflow projection for the first year of the plan

[6 Research into the scale of spreadsheet errors](#)

## Section C:

# Business plan contents and structure



- › An attempt should be made to forecast reserves (unrestricted funds not invested in fixed assets, designated funds or endowment funds)
- › Projected capital expenditure for the lifetime of your plan

### *Financial strategies*

These strategies are the practices that your organisation adopts to deliver your financial objectives. Effective and appropriate strategies provide confidence that your organisation can deliver your financial targets and/or deal effectively with under performance if necessary.

A short commentary on the following areas should be included:

- › **Planning** – strategy setting including your reserves policy, budgeting and forecasting
- › **Control** – budget holding and reporting
- › **Oversight** – governance, role of the Finance Committee
- › **Risk management** – risk register and an outline of how the organisation manages its risks

**Compliance:** all organisations need effective financial controls to comply with legislation on financial reporting and tax.

Charities are specifically tasked with ensuring that a proper system of financial controls is in place and working<sup>7</sup>. Including a section on your financial strategies provides an opportunity to check that the systems are fit for purpose and to demonstrate this effectiveness to all readers of the plan.

## 8. Risk assessment

This is a summary of the key risks which your organisation faces in meeting its goals. It should include a relative rating of these risks and an accompanying list of management actions which the board and executive will take to reduce the identified risks to an acceptable level. Guidance on preparing a risk assessment is given in the previous section.

## 9. Monitoring and evaluation

Monitoring and evaluation should be a core element of any business. It is arguably even more crucial during turbulent times when sound decision making is vital and you may need to change direction quickly. It should form an integral part of your strategic planning. You can then ensure your monitoring systems are developed up front rather than having to think about your effectiveness and performance retrospectively. A strong monitoring and reporting system will help you to:

- › Be clear about what you are trying to achieve and stay on course
- › Produce evidence of performance against your stated targets or outcomes
- › Recognise interdependencies between projects and business activities
- › Remain flexible
- › Recognise key decision points
- › Communicate evidence-based achievements to stakeholders and beneficiaries

# Section C:

## Business plan contents and structure



There are a number of steps to think about in finalising the monitoring and evaluation of your business plan:

Steps	Core questions
Setting up the evaluation model, purpose and scope	What form will the evaluation take – Theory of Change, a Logic Model, etc? Why is a monitoring and evaluation system needed? Is it organisation-wide, project-based, etc?
Identifying information needs and indicators	What will you need to know to manage your organisation? Or to manage your projects/ programme/ services?
Planning information gathering and organisation	How will you gather the required information? How will you organise the relevant information?  When will the information be collected? Who will carry out and manage the activities?
Planning for data processing	How will you process the data and produce meaningful results?
Planning for quality communication and reporting	How and to whom will you need to communicate the findings? What communication channels are most appropriate?  When will you need to report – monthly, quarterly, end of project, etc?
Planning critical reflection processes and events	How will you use the information and findings to improve performance?

### 10. Appendices

Pulling together a comprehensive range of appendices has a number of uses. They:

- › Provide evidence to support the main plan
- › Provide further information on key elements of the plan
- › Pull a number of key documents together in one place creating a compendium for future reference
- › Testify to the amount of hard work involved

The appendices should include:

- › Financial projections
- › Risk assessment
- › Milestone plan – see page 40
- › Key strategies and policies
- › Action plans that set out how aims will be delivered in terms of SMART objectives and who is responsible
- › Programme plans

A business plan checklist has been included in Appendix C to help you complete a final review of your plan.



### Supporting exercises to develop your business plan

These exercises are designed to help you create and test your business plan as you develop it.

1. What do good business plans look like?
2. Thinking about stakeholders
3. Your big 'what ifs': testing your key assumptions
4. How strong is your vision?
5. PESTLE
6. SWOT
7. What does your business model canvas tell you?
8. From the roots to the sky – how well formed is your strategy tree?
9. Have you checked your aims and objectives?
10. How realistic is your financial model?
11. Are your milestones on track?
12. Thinking with scenarios
13. Does it matter if our financial assumptions are wrong: sensitivity analysis

#### 1. What do good business plans look like?

For this exercise you are being encouraged to look critically at business plans produced by other organisations. They can be any scale, any sector: in fact the more diverse they are the better.

That way you get a real feel for different styles and approaches.

- › Select four business plans – you can find them online or by asking other organisations you know well
- › Compare them against the guidelines set out on page 9
  - » Which one do you and your team think comes across as the strongest?
  - » Why do you think it works well?
  - » Which plan appears to be the weakest?
  - » What aspects might you adapt for your own plan?

As you work through these questions remember this is primarily a plan for your organisation and while it needs to keep your key stakeholders in mind it should not be written in a formulaic format to respond to a funder's criteria alone.

#### 2. Thinking about stakeholders

Understanding who your stakeholders are and their level of engagement and influence is an important part of the business planning process.

It can influence both the planning timescale and the contents of your plan. Try not to make assumptions or take for granted that you know what they need. Try completing the following table and check where you have clear information to support your responses and where you might need to do further research or consultation.

# Section D: Business planning exercises



Stakeholder satisfaction (stakeholder wants and needs)	Stakeholder group	Stakeholder contribution (your organisation's wants and needs)
e.g., cheap, easy, quality	Customers	Trust, loyalty, financial contribution and growth
	Funders	
	Employees	
	Regulatory bodies	
	Suppliers	
	And so on...	

### 3. Your big 'what ifs': testing your key assumptions

You have a draft plan and some financial projections. Now is a good time to stand back and test your assumptions.

Work with a few others, ideally people who have not been deeply involved in developing the plan thus far, and identify five key assumptions that underpin your plans. For each assumption ask yourself 'what if ...'. Examples could include:

- › What if a major project is delayed by a year?
- › What if our public funding is reduced or not renewed?
- › What if inflation is higher than we budgeted? What might be the effect on our costs and customer behaviour?
- › What if a new venture or partnership fails to deliver as planned?

Consider what evidence you have that supports the assumptions you are making. What evidence do you have that challenges these assumptions?

What would the impact be on your organisation if one or more of these assumptions did not work out?

Review the results of your work. Do you need to change your plan or upgrade your risk management approach?

### 4. How strong is your vision?

Developing a good vision takes time and can often seem frustrating. Once you feel you have crafted the final version there are a few tests you can use to ensure you are conveying the essence of your organisation.

- › **Peacock Test:** is the statement all show but light on content?
- › **Jargon Bingo Test:** have you used clear plain language or is it packed full of specialised words?
- › **Distinctiveness Test:** if you applied your vision to another similar organisation would it still apply or is it distinctive to you?
- › **The Voice Test:** does the statement genuinely sound like something you would say within your organisation or does it sound like something a consultant would have written or your stakeholders want to hear?
- › **The Repeatability Test:** is the statement easily understood and repeatable by everyone in the organisation

# Section D:

## Business planning exercises



### 5 and 6. PESTLE and SWOT

These two tools are probably the most familiar to you, which sometimes means they tend to be used quickly and are not always integrated into the wider business planning process. If you would like to take a more in-depth approach the following links give some additional guidance and templates that you might find useful:

- › [Alchemy SWOT](#)
- › [Alchemy PESTLE](#)

### 7. What does your business model canvas tell you?

You've put together your one page model and have an idea of how you need to adapt or change in the future. There are a number of things you can do to double check the direction you want to move in and its implications:

- › Have another look at your SWOT analysis – does your model truly play to your strengths and build on identified opportunities?
- › What additional information do you need to ensure your ideas have some chance of succeeding?
- › How will you gather that information?
- › How long will that take and how will you build it into your planning process?

### 8. From the roots to the sky - how well formed is your strategy tree?

It is important that your strategy genuinely has a read through from vision to objectives and vice versa. There are a number of tests you can use:

- › Consistency test: is the strategy based on consistent goals and policies (be brutally honest with yourself!)?

You might also want to think about the drivers your business model is based on and their implications (Osterwalder and Pigneur, 2010):

Business model direction	Levels of change to the current model	Implications
Resource driven – originates from existing infrastructure or partnerships	May only involve minimal changes as it builds on current model	Current resources are strong enough to build from
Offer driven – creates new offers	May require change in a number of areas	
Customer driven – based on customer needs and wants	May require some change in a number of areas	
Finance driven – new funding streams, pricing mechanisms or reduced costs	Will require some change in a number of areas	
Multiple points drive the new model – this will require significant change on all levels	› Will require significant change in several if not all areas of activity	

- › **Consonance:** does the strategy show how you will adapt to your environment and the critical changes occurring within it?



# Section D:

## Business planning exercises



- › **Advantage:** does the strategy provide for the creation and/or maintenance of a distinctiveness or advantage in your areas of activity?
- › **Feasibility:** does the strategy overstretch your resources or potentially create unanticipated problems (again be as honest as possible with yourselves)?

There are additional questions you can ask focused on how well you will be able to implement the strategy internally:

- › Have you included a process to continually monitor the strategy?
- › Have you included a process to help you act on the implications of your monitoring?
- › Have you built strong trust internally? This will help with knowledge exchange and consistent implementation
- › Have you built the strategy on clear common ground? This will help you uncover indicators of relevance and importance for your team
- › Have you taken an appropriate level of risk?

### 9. Have you checked your aims and objectives?

The strategy tree shows how there should be a clear read across from your vision and mission to your aims and objectives. Aims are generally concerned with what you will focus on to achieve your ambitions whereas objectives illustrate how you will achieve them. As the guidance states it is a good idea to restrict the number of aims so everyone is clear what your priorities are. It also helps to ensure you have the capacity to deliver them. There are a number of questions to consider to avoid some of the common pitfalls in setting your aims and objectives:

1. Are they realistic? Be brutally honest with yourself and your team, and focus on both your capacity and capability to deliver them.

This is also a good point to check for hidden aims and objectives that might be included in your strategies – total up all the aims and objectives you can find in all your planning documents, and chances are you'll find more than you expected

2. Have you focused on the right areas? Aims often focus on the delivery of your programme, products or services and miss out important aspects like developing the organisation
3. Have you been honest about delivery timescales? Almost always things take longer to develop or deliver than we estimate. What happens if you add a 10 or even 15 per cent time contingency to your planning?
4. Are your aims and objectives really your own? How much have they been influenced by your stakeholders or funders?
5. Are your aims positive or negative? You are more likely to succeed if your aims are positively toned so rather than 'eliminate the deficit' you might want to say 'build strong reserves'. It might seem like a subtle shift but generally people are more motivated to work towards something positive, like 'get healthy' rather than 'lose weight'

### 10. How realistic is your financial model?

Having prepared your financial projections, it is important to stand back and consider how achievable your plans are in financial terms. One of the best ways of doing this is to look at how your model is planned to change over time using trends analysis. Doing this visually can help you spot anomalies at a glance and can be useful for sharing with colleagues who may not be confident with financial statements. Doing this visually can help you spot anomalies at a glance and can be useful for sharing with colleagues who may not be confident with financial statements.

## Section D:

# Business planning exercises



Use the charting function in your spreadsheet programme to produce graphs of some key figures and relationships over the lifetime of your plan, including historic and current performance as a starting point.

You might want to try the following:

- › Graph 1: scale and growth – total annual income, total annual expenditure and the balance on unrestricted reserves over time (line graph)
- › Graph 2: income diversification – breakdown of total annual income over time. You could look at different types of income or just focus on the split between certain income (e.g. core grants) and speculative income (e.g. ticket sales, fundraising targets not yet secured) (column or bar graph)
- › Graph 3: cost base – cost breakdown over time split between fixed (e.g. salaried staff and utilities) and variable costs (e.g. programme costs and casual staff) (column or bar graph)
- › Graph 4: covering your fixed costs – annual certain income less annual fixed costs over time (line graph)
- › Graph 5: liquidity – monthly cash balance (line graph)

Looking at the resulting graphs:

- › How well do the graphs reflect the story that your business plan is trying to tell?
- › If there are major changes in income sources or cost structures have you planned for how these will be achieved?
- › What risks do these graphs highlight?

### 11. Are your milestones on track?

Milestones are a project management tool to assist planning, management and control. They should feed clearly into organisational and project aims and vice versa. Milestones are important because they:

- › Help with common understanding of tasks
- › Give an overview of the work to be done
- › Are a foundation for allocating resources
- › Help organise work realistically
- › Are a mechanism for monitoring and control

Milestones are:

- › Checkpoints
- › Descriptions of where the project should be at a certain stage
- › Descriptions of what a project should achieve, i.e. they are output not input focused

A good milestone usually specifies an output and starts with 'when...' as in the following hypothetical example:

- › 'When the requirements for organisational development are stated and prioritised'

A not so good milestone might be:

- › 'A grant of £2,000 is received to run the project'

To develop your business plan milestones:

1. Brainstorm as many activities as you can think of that are required to deliver the business plan
2. Divide the long list into years, i.e. years one to three if you are producing a three year plan

## Section D:

# Business planning exercises



3. Look at each year and see if there are common areas of activity such as marketing, programming or organisational development. Group the activities under these themes – this gives you what are known as ‘workstreams’
4. Now look at each workstream and identify what you think are the key decision points, remove all the other activities that are not decision points. If you have more than 10 of these decision points edit them down
5. You should be left with a list of milestones (key decision points) for each year under your workstreams
6. As a final test, check when your milestones need to be delivered to ensure you understand any interdependencies and whether there are any pinch points where lots of milestones collide

Identify the costs and revenues you are most uncertain about. Consider what your (reasonable) best and worst outcomes could be; this is usually done in percentage terms to make the maths easier. Do the sums and review.

[This article on the value of testing gives more details.](#)

### References:

Osterwalder, A, and Pigneur, Y, Business Model Generation, John Wiley & Sons Inc., New Jersey, 2010

## 12. Thinking with scenarios

This [scenario planning tool](#) helps you to think creatively and quickly about the different futures you might be facing and planning for. You can use some of the outputs from your PESTLE analysis to imagine four possible futures and to explore how your organisation might adapt best in each scenario. This type of stretch thinking helps to build a more convincing and resilient plan.

## 13. Does it matter if our financial assumptions are wrong: sensitivity analysis

Sensitivity analysis is an easy but powerful technique for understanding the possible financial impact of some of your assumptions not working out.

# Appendices



## Appendix A: Further resources

For any additional support with the guidance please contact the authors:

- › Dawn Langley: dawn@alchemyresearch-consultancy.com
- › Susan Royce: susanjroyce@gmail.com

(Please note all links are current at time of publication but we are aware they are dynamic and can change quickly. Apologies for any frustration that broken links may cause. If you search by topic or author you should find current links).

### Web resources

- › [Alchemy Toolkits](#): a selection of tools to help you assess your current position and consider your future development options
- › [Arts and Business Scotland](#): an independent Scottish charity that connects the business and cultural sectors and offers governance resources and support
- › [Business Gateway](#): a publicly funded service which is delivered by Scotland's local authorities, providing access to free business support services.
- › [Centre for Charity Effectiveness at Bayes Business School](#): provides resources, research, expertise and development programmes to help enhance the performance of non-profit organisations
- › [Culture Hive](#): an online resource for developing and sharing best practice in cultural marketing
- › [Improving Quality](#): a quality scheme for charities and other third sector organisations that can be used as both a self assessment tool and for external assessment
- › [Managing Financial Difficulty](#)<sup>8</sup>: guidance and a toolkit for arts and cultural organisations commissioned from Dawn Langley and Susan Royce by Arts Council England. Its purpose is to help arts and cultural organisations recognise and manage financial challenges by offering practical advice and tools
- › [Managing your funds and reserves](#)<sup>9</sup>: guidance for arts and cultural organisations. This guidance was commissioned by Arts Council England and developed by Susan Royce. Its purpose is to provide straightforward advice for those managing charity funds and trying to develop appropriate reserve strategies.
- › [NCVO](#): provides wider ranging information advice and guidance for voluntary organisations. It exists to support non-profit organisations make the biggest difference they can
- › [Nesta](#): The UK's innovation agency for social good. Provides funding, runs projects, undertakes research and offers wide ranging resources.
- › [New Philanthropy Capital](#): an independent think tank developing research and resources, and offering consultancy services to the charity sector. It has a particular focus on impact measurement and works across practice and policy
- › [SCVO](#): the national membership organisation for the voluntary sector in Scotland. Its mission is to support, promote and develop a confident, sustainable voluntary sector

8 & 9 While these documents were created for Arts Council England they contain guidance that should be useful for organisations based in Scotland

# Appendices



## Recommended reading:

- › Bell, J and Zimmerman, S, *The Sustainability Mindset*, Jossey-Bass, San Francisco, 2015

A very practical guide to using the Matrix Map in order to help non-profit organisations in developing sustainable business strategies.

It takes you step by step through the process providing tools and templates for each of the stages, from understanding your desired impact to achieving profitability.

- › Brea, Lisa Sonora, *The Creative Entrepreneur*, Quarry Books, Beverley, Mass, 2008

Described as a DIY visual guidebook to making business ideas real, this is a great resource for those looking for a different approach to planning.

- › Gassmann, O, Frankenberger, K and Csik, M, *The Business Model Navigator*, Pearson, Edinburgh, 2014

The Business Model Navigator is a useful partner to the other business model books. In very readable and practical terms it identifies 55 core business models that can help you both think through the basis for your own model and understand possibilities for future development.

- › Kimbell, L, *The Service Innovation Handbook*, BIS Publishers, Amsterdam, 2014

This book provides a wealth of practical tools and examples to help you think through service design and development. If you are interested in understanding your products and services from a customer experience perspective this book is a helpful starting point.

- › Osterwalder, A and Pigneur, Y, *Business Model Generation*, John Wiley & Sons, New Jersey, 2010

An international bestseller co-created with hundreds of international practitioners from a wide range of sectors. *Business Model Generation* introduces the business model canvas, which has become a worldwide phenomenon for helping organisations of all kinds understand and develop their business models.

The book gives a clear introduction to the canvas and takes you through a series of exercises, activities and examples to help you develop your own model.

There are a number of companion volumes which expand on aspects of the approach including value propositions, testing business ideas, working in teams and developing your own personal business model.

- › Zolli, A and Healy, A M, *Resilience: Why Things Bounce Back*, Free Press, New York, 2013

This book uses a wide-ranging set of examples to explore the issue of systemic resilience, and how some organisations or individuals are able to bounce back when things go wrong when others fail to. It is very readable and takes you on what the authors call a tour of resilience patterns finishing with a review of the factors you might want to consider in understanding the resilience of your own organisation.



## Appendix B: Glossary

Term	Explanation
Aims	A broad statement of intent
Asset	<p>An economic resource that the organisation uses to create and deliver value</p> <p>Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset.</p>
Break even analysis	<p>Break even analysis allows a business to calculate at what level of sales its income will equal its costs</p> <p>Break even analysis is a useful tool to understand the relationship between fixed and variable costs, sales and profitability. Fixed costs are those that do not vary with levels of activity such as general overheads and variable costs are those that do vary such as creative team fees</p> <p>Break even point = <math>\frac{\text{total fixed costs}}{\text{selling price per unit of production} - \text{variable costs per unit of production}}</math></p> <p>Within the publicly funded arts world it is useful to consider the impact of fixed income on break even calculations. A comparison of fixed income such as core grants against fixed costs allows an organisation to calculate how much contribution it must generate from its programme to fund the shortfall (or how much subsidy is available to invest in the programme)</p>
Budget	<p>A plan for future activity expressed in terms of incoming and outgoing resources</p> <p><a href="#">Budgets can be prepared for projects or for whole organisations.</a> They are based on assumptions about the future e.g. staffing levels, action plans and inflation which must be explicit. Once approved, budgets should only be updated in exceptional circumstances in which the original assumptions become wholly unrealistic</p>



Term	Explanation
Charity	<p>An organisation established to benefit the public or a section thereof, often the poor or disadvantaged. A Scottish registered charity is one that is registered with the <a href="#">Office of the Scottish Charity Regulator (OSCR)</a> and which is entitled to benefit from the concessions and exemptions available to registered charities, namely:</p> <ul style="list-style-type: none"> <li>› An exemption from paying tax on its profits</li> <li>› An entitlement to gift aid on donations made to the charity</li> <li>› Business rates relief</li> </ul> <p>A charity need not be a company.</p>
Company limited by guarantee	<p><a href="#">This is the most common legal structure for a not for profit company in the UK.</a> It is a company which does not issue shares but whose members promise to contribute a set sum (usually between £1 and £10) in the event of the company's insolvency</p> <p>A not for profit organisation which uses this model cannot put 'limited' in its company name</p>
Company limited by shares	<p>A company that has members who each purchase at least one share in the company.</p> <p>Such companies can be public (its shares can be sold on a public share exchange, e.g., Stock Exchange) or private. Private limited companies can have investors but cannot raise money by the public sale of shares.</p> <p><a href="#">Private companies limited by shares are the most common form of trading subsidiaries owned by charities.</a></p>
Depreciation	<p>An annual charge to write down the value of a fixed asset over the useful economic life of the asset. Depreciation is a non-cash item (i.e., no money changes hands) and is sometimes wrongly left out of budgets for this reason. It is usually calculated as a percentage of the value of the asset. Companies must disclose their depreciation policies in the notes to their accounts. Depreciation on assets funded by restricted grants is charged to the relevant restricted reserve.</p>
Director	<p><a href="#">A member of the board of a company who has been duly elected as a director.</a> Directors have substantial obligations under UK company law.</p>



Term	Explanation
Evaluation	<p>Evaluation is the systematic consideration of merit, worth and significance of an activity, project or programme using criteria based on a set of agreed standards. Evaluation can be process, output, outcome or impact focused (or any combination therein). It can also be summative, in that it draws conclusions from a completed project, programme or activity, and/or formative in that it makes recommendations to improve future performance.</p>
Forecast	<p>A financial forecast is a projection, based on performance to date, of where the organisation expects to be at the end of the current financial period.</p> <p>Revised forecasts should normally be prepared every three months and should be approved by the organisation's board. It is this revised forecast to which the organisation will, in practice, work, and not the budget approved many months earlier.</p>
Gantt chart	<p>A visual representation of a project plan in bar chart form. The horizontal axis shows the timeline. The vertical axis lists the tasks that need to be undertaken to complete the project. The tasks are grouped into related areas of work. Dependencies and milestones are often included on the chart.</p>
Impact	<p>The intended or unintended sustainable changes brought about by an initiative, project, programme or organisation.</p>
Inputs	<p>Something (resources, activities, etc) put into a system, project or programme to achieve a given output or outcome.</p>
Insolvency	<p>A company or a Scottish Charitable Incorporated Organisation (SCIO) is insolvent when:</p> <ul style="list-style-type: none"> <li>• It cannot pay its debts when they fall due; or</li> <li>• Its liabilities exceed its assets</li> </ul> <p>See <a href="#">closing a limited company</a> and <a href="#">insolvency legislation</a></p>
Milestones	<p>Milestones are a project management tool to assist planning, management and control. They are descriptions of where a project should be at a certain stage. They are focused on achievement and are therefore output not input focused. All the important decision making points should be milestones and as such they should be strategic. There should be no more than 10-12 milestones in a given project.</p>
Mission	<p>The mission sets the overall guiding direction. A good mission should help drive strategy and decision making. It is a statement of purpose and usually refers to what an organisation does, who it does it for and what is unique or different about what it does. You may see alternatives used: what we do, ambition, how we work, ways of working, vocation, promise, manifesto</p>





Term	Explanation
Monitoring	Monitoring is the process of supervising activities to ensure they are on course and on schedule in meeting expectations. It usually involves agreement on and collection of specific forms of data.
Objectives	<p>This is generally the most specific aspect of the business plan. Objectives are usually identified by the acronym, SMART. They should be specific, measurable, actionable, realistic and time-based.</p> <p>You can use any two of four measures to test whether an objective is SMART – quality, quantity, time or money. Objectives are the basic unit underlying all planning and strategic activities. They serve as the basis for performance monitoring and evaluation.</p>
Outcomes	The benefits arising from a particular initiative, project or programme, usually described in terms of knowledge, skills, behaviours, values and conditions.
Outputs	Outputs are the deliverable elements of an initiative, project or programme and are often defined in a contract for service or grant agreement. They are directly related to inputs (activities, materials, etc) and should lead to outcomes and impacts.
PESTLE analysis	<a href="#">A commonly used framework</a> for understanding how key factors (political, social, economic, technological, legal and environmental) are shaping the external context in which an organisation is operating.
Public benefit	<p><a href="#">To pass the Scottish charity test</a> a charity must have only charitable purposes and have activities that provide public benefit in Scotland or elsewhere.</p> <p>OSCR defines public benefit as ‘the way that a charity makes a positive difference to the public.’</p>
Reserves	<a href="#">Reserves are the funds that a charity has which can be freely spent on any of its charitable purposes.</a> Reserves do not include funds invested in tangible fixed assets, designated by the Board or given for specific purposes (restricted funds); nor do they include endowment funds.
Strategy	Strategy is linked to the long term direction of an organisation, and is concerned with the effective and efficient use of resources. It takes account of the external environment, potential markets and the needs of customers/audiences and stakeholders. Strategy can operate on three levels: organisational, departmental or functional and operational, all of which should support the others.



Term	Explanation
Strategy tree	The strategy tree includes all aspects of the business strategy from vision to objectives and should show a strong read across from desired future state to current actions and financial model. A good business plan will have a clearly identifiable strategy tree.
SWOT analysis	<a href="#">A simple tool for exploring an organisation’s internal strengths and weakness and external opportunities and threats.</a> It helps to open up critical thinking across the whole range of an organisation’s activities and identify potential areas for strategic development.
Trustee	<a href="#">A charity trustee must act in the interests of the charity</a> and must comply with the specific duties set out in the Charities and Trustee Investment (Scotland) Act 2055.
Values	Values are deep-seated, all-encompassing standards that influence every aspect of our lives. Values are closely linked to belief systems and as such they are deeply held, emotional and difficult to change. True values should be energising, motivating and inspiring; they provide a basis for both meaning and learning.
Vision	<a href="#">A statement of the change which an organisation seeks to make in the world, its reason for existing or the impact it wishes to have.</a> The vision should be aspirational and a stretch for the organisation at the same time as being realistic – it is a description of a desired future state. You may see alternatives used such as: goal, purpose, commitment, our why.

# Appendices



## Appendix C: Business plan checklist

	Strongly agree	Agree	Disagree	Strongly disagree
Our plan is short (less than 25 pages) and to the point				
Our plan is focused on the future not the past				
Our plan is focused on action not rhetoric				
Our plan demonstrates a good understanding of our external environment and how it might change over the lifetime of the plan				
Our plan has a strong strategic framework with clear connections between vision, aims, resourcing, objectives and budgets				
Our text and numbers are well integrated and tell a consistent and coherent story				
All major aspects of our activities and operations are covered in the plan				
We openly acknowledge the challenges and risks we face				
We have identified effective strategies to manage the risks we face				

# Appendices



Having completed the checklist, consider the following:

What do your answers tell you about your business plan?

Do you have evidence to support your answers?

Where do you need to improve your plan?

What do other people think of your plan?

Have you looked at other plans to identify what works and what does not?

See also: <https://alchemyresearch-consultancy.com/toolkits/>



## Long links

If the embedded links in the main document do not work please copy the long link below and paste it into your chosen browser.

Page	Reference	URL link
4	Alchemy toolkits	<a href="https://alchemyresearch-consultancy.com/toolkits/">https://alchemyresearch-consultancy.com/toolkits/</a>
	SCVO	<a href="https://scvo.scot/">https://scvo.scot/</a>
	Scottish Gov. Code 3rd sector	<a href="https://goodgovernance.scot/">https://goodgovernance.scot/</a>
10	Trustee duties	<a href="https://www.oscr.org.uk/managing-a-charity/trustee-duties/">https://www.oscr.org.uk/managing-a-charity/trustee-duties/</a>
	Guidance & good practice	<a href="https://www.oscr.org.uk/guidance-and-forms/managing-a-charity-guidance/guidance-and-good-practice-for-charity-trustees/">https://www.oscr.org.uk/guidance-and-forms/managing-a-charity-guidance/guidance-and-good-practice-for-charity-trustees/</a>
	Charity SORP (FRS 102)	<a href="https://www.charitycorp.org/">https://www.charitycorp.org/</a>
	Care, diligence & skill	<a href="https://www.iayo.ie/admin/wp-content/uploads/Care-Dilligence-Skill.pdf">https://www.iayo.ie/admin/wp-content/uploads/Care-Dilligence-Skill.pdf</a>
11	ICAEW	<a href="https://www.icaew.com/coronavirus/directors-duties-and-corporate-governance">https://www.icaew.com/coronavirus/directors-duties-and-corporate-governance</a>
17	NCVO Foresight	<a href="https://3s4.org.uk/">https://3s4.org.uk/</a>
	SCVO Policy and Research	<a href="https://scvo.scot/policy">https://scvo.scot/policy</a>
	NCVO Policy and Research	<a href="http://www.ncvo.org.uk/policy-and-research">www.ncvo.org.uk/policy-and-research</a>
	Future Studies	<a href="http://www.futurestudies.co.uk">www.futurestudies.co.uk</a>
	Futures Toolkit for policy makers	<a href="http://www.gov.uk/government/publications/futures-toolkit-for-policy-makers-and-analysts">www.gov.uk/government/publications/futures-toolkit-for-policy-makers-and-analysts</a>
	Nesta Future Thinking	<a href="http://www.nesta.org.uk/areas-work/future-thinking">www.nesta.org.uk/areas-work/future-thinking</a>
	Arup Drivers of change	<a href="http://www.driversofchange.com">www.driversofchange.com</a>
26	Scenario Planning: living in the futures	<a href="http://www.jisc.ac.uk/guides/scenario-planning">www.jisc.ac.uk/guides/scenario-planning</a> <a href="http://hbr.org/2013/05/living-in-the-futures">hbr.org/2013/05/living-in-the-futures</a>

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<b>Page</b>	<b>Reference</b>	<b>URL link</b>
26	Institute for Risk Management	<a href="https://www.theirm.org/join-our-community/special-interest-groups/charities/">https://www.theirm.org/join-our-community/special-interest-groups/charities/</a>
	Sayer Vincent: Risk management made simple	<a href="http://www.sayervincent.co.uk/wp-content/uploads/2015/07/RiskManagementMadeSimple-SayerVincent-July2015.pdf">www.sayervincent.co.uk/wp-content/uploads/2015/07/RiskManagementMadeSimple- SayerVincent-July2015.pdf</a>
33	Research into the scale of spreadsheet errors	<a href="https://arxiv.org/ftp/arxiv/papers/1602/1602.02601.pdf">https://arxiv.org/ftp/arxiv/papers/1602/1602.02601.pdf</a>
34	Internal financial controls for charities	<a href="https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8">https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8</a>
38	SWOT	<a href="https://alchemyresearch-consultancy.com/toolkits/swot-analysis/">https://alchemyresearch-consultancy.com/toolkits/swot-analysis/</a>
	PESTLE	<a href="https://alchemyresearch-consultancy.com/toolkits/pestle-analysing-the-external-environment/">https://alchemyresearch-consultancy.com/toolkits/pestle-analysing-the-external-environment/</a>
41	Scenario planning	<a href="https://alchemyresearch-consultancy.com/qa-week-a-deeper-dive-into-scenario-planning-in-the-era-of-remote-working/">https://alchemyresearch-consultancy.com/qa-week-a-deeper-dive-into-scenario-planning-in-the-era-of-remote-working/</a>
	Testing your plans	<a href="https://alchemyresearch-consultancy.com/building-confidence-in-your-plans-the-value-of-testing/">https://alchemyresearch-consultancy.com/building-confidence-in-your-plans-the-value-of-testing/</a>
42	Alchemy Toolkits	<a href="https://alchemyresearch-consultancy.com/toolkits/">https://alchemyresearch-consultancy.com/toolkits/</a>
	Arts & Business Scotland	<a href="https://www.aandbscotland.org.uk/">https://www.aandbscotland.org.uk/</a>
	Business Gateway	<a href="https://www.bgateway.com/">https://www.bgateway.com/</a>
	Centre for Charity Effectiveness	<a href="https://www.bayes.city.ac.uk/faculties-and-research/centres/cce">https://www.bayes.city.ac.uk/faculties-and-research/centres/cce</a>
	Culture Hive	<a href="http://culturehive.co.uk/">http://culturehive.co.uk/</a>
	Improving Quality	<a href="https://improvingquality.org.uk/">https://improvingquality.org.uk/</a>
	Managing Financial Difficulty	<a href="https://www.artscouncil.org.uk/publication/managing-financial-difficulties-guide-and-toolkit">https://www.artscouncil.org.uk/publication/managing-financial-difficulties-guide-and-toolkit</a>

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42	Managing your funds and reserves	<a href="https://www.artscouncil.org.uk/sites/default/files/download-file/Funds_guidance_report_140219_0.pdf">https://www.artscouncil.org.uk/sites/default/files/download-file/Funds_guidance_report_140219_0.pdf</a>
	NCVO	<a href="https://www.ncvo.org.uk/about-us/#/">https://www.ncvo.org.uk/about-us/#/</a>
	Nesta	<a href="https://www.nesta.org.uk/toolkit/">https://www.nesta.org.uk/toolkit/</a>
	New Philanthropy Capital	<a href="https://www.thinknpc.org/">https://www.thinknpc.org/</a>
	SCVO	<a href="https://scvo.scot/">https://scvo.scot/</a>
44	Office of the Scottish Charity Regulator	<a href="https://www.oscr.org.uk/about-oscr/about-oscr/">https://www.oscr.org.uk/about-oscr/about-oscr/</a>
	Companies House – Company formation	<a href="https://www.gov.uk/limited-company-formation">https://www.gov.uk/limited-company-formation</a>
44	ICAS	<a href="https://www.icas.com/professional-resources/business-and-governance/support-and-guidance/what-directors-need-to-know-to-run-boards-effectively">https://www.icas.com/professional-resources/business-and-governance/support-and-guidance/what-directors-need-to-know-to-run-boards-effectively</a>
45	The Insolvency Service	<a href="https://www.gov.uk/government/publications/options-when-a-company-is-insolvent/options-when-a-company-is-insolvent">https://www.gov.uk/government/publications/options-when-a-company-is-insolvent/options-when-a-company-is-insolvent</a>
	SCIO(Removal from Register and Dissolution) Regulations 2011	<a href="https://www.legislation.gov.uk/sdsi/2011/9780111012116">https://www.legislation.gov.uk/sdsi/2011/9780111012116</a>
46	Alchemy toolkits	<a href="https://alchemyresearch-consultancy.com/toolkits/pestle-analysing-the-external-environment/">https://alchemyresearch-consultancy.com/toolkits/pestle-analysing-the-external-environment/</a>
	OSCR Public Benefit	<a href="https://www.oscr.org.uk/guidance-and-forms/meeting-the-charity-test-guidance/public-benefit">https://www.oscr.org.uk/guidance-and-forms/meeting-the-charity-test-guidance/public-benefit</a>
	OSCR Charity Reserves	<a href="https://www.oscr.org.uk/guidance-and-forms/charity-reserves-factsheet/1-what-are-reserves/">https://www.oscr.org.uk/guidance-and-forms/charity-reserves-factsheet/1-what-are-reserves/</a>
47	OSCR Charity Trustees Guidance	<a href="https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees/">https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees/</a>
	Alchemy Toolkit	<a href="https://alchemyresearch-consultancy.com/toolkits/swot-analysis/">https://alchemyresearch-consultancy.com/toolkits/swot-analysis/</a>
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