

# BUSINESS PLAN FRAMEWORK

*The more uncertain and shifting the environment becomes the more important it is for arts organisations to have a clear sense of purpose: to think and act strategically... That does not mean detailed and inflexible long-term plans. Nor should it be a licence for navel gazing... An organisation that lacks an animating sense of purpose risks being pushed and pulled in many directions... Arts organisations operate in increasingly crowded and competitive markets, with multiple partners, with different goals and performance measures, mixing commerce and cultural creativity. In such a fluid environment, stability does not come from structure but from having an enduring sense of purpose.<sup>1</sup>*

A business plan is the confident expression of your organisation's chosen direction. It is integral to performance management, and influenced, but not determined, by funding.

A coherent business plan will enhance the success of your organisation. A well-structured plan that is not too long (10–20 pages), will be regularly referred to by your organisation's Board and staff, and will be a useful tool for monitoring your organisation's functionality and effectiveness. It can also be a useful and quick way for potential benefactors to understand your organisation's overall purpose and the ways in which you will work towards that purpose.

Funding agencies will expect a multi-year (three, four or five years) business plan for your organisation with the following core components:

- Purpose (also known as Mission or Vision);
- Executive Summary;
- Context (your internal and external environment, markets and competition);
- Goals;
- Key Performance Indicators;
- Strategies;
- Artistic Program;
- Marketing Plan;
- Financial Plan; and
- Management: Organisational Structure, Governance, Succession Plan, Risk Management.

Your organisation might prefer to use different terminology.

Below are explanatory notes on each section followed by a suggested structure for key components (see Sample Business Plan Components) and core elements for a marketing plan (see Companion Resource: Core Elements of a Strategic Marketing Plan).

## Purpose

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The Purpose is a simple statement that is inspiring and yet concisely outlines your organisation's key reason for existing. It should be five lines or less.

The Purpose should be much more forward-looking than the Goals; it does not need to be achievable within the duration of the business plan. However it should be faithful to the objects outlined in your organisation's constitution.

## Executive Summary

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The Executive Summary should be less than one page and follow the structure of the whole document. It should be the last thing you write and should encapsulate and distil the strategic direction of the document. It should be written for the person who will read the organisation's Purpose and the Executive Summary only. Do not presume that someone reading the Executive Summary will read further (though funding agencies will read your whole plan).

<sup>1</sup> *Arts organisations in the 21st century: ten challenges*; Charles Leadbeater, Arts Council of England 2005

# Context

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This section will summarise the strategic issues facing the organisation having assessed the internal and external environment to identify the organisation's strengths and weaknesses, opportunities and challenges. It is a distillation of analysis and research undertaken by your organisation.

## History

This should be a brief overview of about three paragraphs summarising when your organisation was set up, for what reason, and the impact of significant achievements, events and milestones that your organisation instigated or reacted to over the years.

## Internal Situation

This should be a short but comprehensive evaluation of your organisation. It should highlight strengths while acknowledging weaknesses. It should cover any major structural strengths and weaknesses, reputation and include an analysis of your organisation's current financial situation (including details of annual income and expenditure, current levels of assets and liabilities and an assessment of any existing financial risks). It could include a couple of stories of real impacts you have made over the last few years (e.g. an international conference or tour, unexpected national exposure, discovering emerging talent etc).

## External Situation

This may be one to two paragraphs on your external situation as it is now – concentrating on positive opportunities while remembering potential threats, is important. Consider who are your local, national and international peers against whom you benchmark your organisation? Who are your stakeholders? This section also articulates the key trends and issues about the environment in which your organisation exists – now and in the immediate future. This will probably include any social, technical, environmental, economic, political, legal, or arts sector trends, which may affect the direction that your organisation chooses to take (e.g. changes to tax laws affecting philanthropy; people wanting to interact with or co-create the art they engage with; impact of online communities and interactive web technologies).

## Markets

*A market is any broad collection of people who might have an interest in exchanging something, coming into contact engaging with your organisation.*<sup>2</sup> These may include visitors, ticket buyers, workshop participants, clients, referrals, members, volunteers, funding bodies, sponsors and philanthropists.

*Define your current markets*

This should be based on any research or facts. Describe your market in terms of the key common factors that bind each group (e.g. young adults who respond to the latest trends in new media). It may be that demographic factors such as education level, income and age are not so important as other factors such as hobbies or attitudes. Consider who creates your support base? What other markets are strategically important to you? If you have segmented your markets, a summary of your analysis should be here.

*Clarify what you offer your markets*

To encourage regular engagement with your organisation, people need to feel welcomed and benefit from their experience of your organisation. Your particular environment and internal strengths must be exploited to give your market(s) an experience, service or an object that they feel nothing else can offer. Pinpoint the experience that your organisation offers and how it is unique from your markets' perspective (i.e. the emotional, physical, social benefits and value you deliver to them).

*Choose the strategic direction your organisation wishes to take with regard to markets.*

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<sup>2</sup> Thinking BIG! A guide to strategic marketing planning for arts organisations Stephen Cashman Arts Marketing Assoc 2003

Consider whether you want to strengthen relationships with existing markets (e.g. attract those people who usually come once a year three times per year instead). Or do you want to develop new markets (e.g. attracting people over 60 years of age)? This direction should take into account what is feasible within the resources available. Consider which partners you will work with to move in this direction (e.g. like-minded organisations, local businesses, international organisations and sponsors etc).

## Competitors

*In not-for-profit arts organisations, competition can be thought of as anything that inhibits or stops an organisation from achieving its goals.<sup>3</sup>*

Consider who, or what else, competes for your markets' time, attention, interest and money. These can be direct or indirect competitors; think broadly, logically and laterally about where your current and future markets spend their time and money (e.g. other forms of entertainment such as watching television or playing sport, on-line communities, hobbies). Are current funding partners directing their money elsewhere? Use any research that you may already have. Bear in mind that other arts organisations may help increase the local desire for art, rather than compete for your markets' time. Also consider threats or barriers to your target markets engaging with your organisation (e.g. poor parking or public transport, lack of marketing budget/information, other demands on your prospective markets' time).

## Goals and KPI's (Key Performance Indicators)

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Your Goals should describe what you would like your organisation to be achieving within a given timeframe and demonstrate progress towards your Purpose. The plan will usually have no more than six goals and each should consist of one specific, clear and tangible objective. The Goals should be explicit and implicitly relate to both the Purpose and your organisation's constitutional objectives. The Goals should also be defensible against your analysis of your internal and external situation as described in the Context section.

KPIs are used to demonstrate how well your organisation is progressing towards achieving its Goals. An effective KPI is specific, measurable, achievable, important and controllable by your organisation. Each goal can have as few as one KPI or more as in Figure 2 below.

## Strategies

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Strategies are the major initiatives you will undertake to achieve the Goals. In one page you can show that your Strategies can fulfill one or many Goals (see Figure 1 below). Those Strategies that can satisfy many Goals are more likely to have a higher priority for you.

Figure 3 below outlines Strategies in a simple table format with columns for:

- **Priority:** which Strategies you will focus on, have the most impact or provide the most resources;
- **Measures and milestones:** timetable for delivery; and
- **Responsibility:** what position in your organisation is responsible for ensuring this happens.

## Action Plans

Each of the Strategies should be attached to a specific project or action plan. These action plans are not included in the business plan, but are there for your organisation's and its Board's reference. Each action plan should be detailed. It should clearly indicate what needs to happen by when and by whom for the strategy to be achieved. There will most often be multiple actions with accompanying target dates and different persons responsible for each action.

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<sup>3</sup> Thinking BIG! A guide to strategic marketing planning for arts organisations Stephen Cashman Arts Marketing Assoc 2003

## Artistic Program

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This describes your general artistic program - exhibitions, tours, special projects, residencies, performances, creative developments, workshops, commissions, publications etc. Start with a paragraph outlining what you expect to achieve annually, what impact, why it is an improvement on previous years (if appropriate) and then provide a summary of your overall program. Include:

- a statement about the artistic rationale of the program;
- an overview of the program for each year of the business plan; and
- ways to measure artistic success, including a model for self-evaluation (e.g. visitor feedback, critical reviews, audience reviews, media and peer reportage).

## Marketing Plan

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Provide a multi-year plan of the marketing goals and strategies that you intend to use to achieve your KPIs. Consider including all your markets, such as: education, specific communities, sponsors, media, peers, funding bodies and philanthropists. Your marketing plan should flow logically and expand on the analysis within the Context section.

Your marketing plan should demonstrate:

- an understanding of target markets (current and potential);
- the responsiveness of programming to target markets and segments; and
- evidence of market research.

If applicable, you may need to develop separate action plans for marketing communications or promotion, sponsorship and philanthropy.

(Please consult the Companion Resource: Core Elements of a Strategic Marketing Plan below to assist you to complete this section.)

## Financial Plan

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The financial plan should flow logically from the conclusions drawn about your organisation's financial situation within your Context. It should include:

- an assessment of your organisation's current financial situation (where are we now); and
- a vision of the financial situation at the end of the period covered by the business plan (where do we want to be).

You should provide a financial forecast (as shown in Figure 4 below) for each year covered by the business plan. The figures in your forecast should support and demonstrate the statements made in your financial plan and throughout your entire business plan.

Break-even or deficit forecasts across several years are not desirable without explanatory commentary.

# Management

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## Organisational Structure

Include an organisational chart showing role and responsibilities for each position, and to whom they report.

## Role of the Board and Governance

This will be a list of your Board members, the skills they bring to the Board and specific role(s), if any, that they have on the Board. You should provide this information as shown in Figure 5 below.

It should give a clear indication of the demarcation between the Board and executive staff, and detail any delegations of responsibility.

## Succession Plan

An effective succession plan is proactive, ensuring that your organisation continues to have the skills and expertise necessary to achieve your Goals.

Ideally, your plan should contain Strategies to:

- Address any issues identified with the Context section (Consider if there any gaps in your organisation's skill set);
- Recruit or develop Board members and staff with any new skills and expertise required to achieve your Goals;
- Ensure that your Board has the necessary marketing, legal, financial, fundraising, business, government and community relations skills and expertise;
- Ensure a regular turnover of Board members (Longstanding Boards can stagnate even though their corporate knowledge may seem invaluable – times, contexts and environments change, and personnel need to change with them); and
- Minimise the disruption caused by the sudden or planned departure of key Board members and staff.

It maybe valuable to encourage Aboriginal and Torres Strait Islander employment within your organisation, or to support existing Aboriginal and Torres Strait Islander employees to develop relevant skills that allow them to contribute to the Goals and build successful long-term careers within the organisation/industry.

## Risk Management Plan

Identify the major obstacles to achieving your business plan and Goals (not risks to your organisation as such). Consider what could go wrong and whether you are making assumptions that could be proven to be incorrect.

Provide a comprehensive plan that demonstrates:

- probability of all potential risks;
- impact of all potential risks; and
- Strategies to mitigate potential risks.

As a guide, some risks to consider include:

- Environmental/external risks (that is, beyond the control of your organisation) – consider whether any of your income sources have the potential to be affected by significant economic changes. Think about whether your funding likely to be affected by changes in government or government policy.
- Financial risks – consider whether your organisation can afford the Goals and/or Strategies and look at your organisation's level of exposure or financial commitment.
- Marketing and reputation risks – consider whether your organisation has adequate safeguards in place to monitor impacts on credibility and maintain positive stakeholder relationships.
- Management risks – consider whether your organisation has the expertise to manage new strategies and what would happen if key people left your organisation.
- Operational risks – consider whether your organisation can implement the changes in the business plan.

# Sample Business Plan Components

**Figure 1: Sample Goals and Strategies matrix**

| Strategies  | Goals  |   |   |  |
|---|--|---|---|--|
|   | Nationally recognised exhibitions of innovative visual art & interdisciplinary art forms | More people experience and understand the value of contemporary art | Diversified income streams to ensure financial sustainability | Organisational processes continue to enhance Purpose |
| Present 12 exhibitions per annum with an emphasis on the development and presentation of new work | YES  | YES   |   |  |
| Produce and distribute high quality publications  | YES  | YES   |   |  |
| Review communications strategy  | YES  | YES   | YES   | YES  |
| Develop fundraising strategy  |  |   | YES   | YES  |
| Develop secondary schools program   |  | YES   |   |  |
| Review operational systems and policies   |  |   | YES   | YES  |
| Recruit marketing and financial expertise on the Board  | YES  | YES   | YES   | YES  |

**Figure 2: Sample Goal and KPI set**

| Goal  | KPI   | Annual Targets    |                  |        |                  |
|---|---|-------------------|------------------|--------|------------------|
|   |   | Current Situation | 2008             | 2009   | 2010             |
| More people experience and understand the value of contemporary art | Increase attendances by 10% each year   | 40K               | 44K              | 48K    | 53K              |
|   | Biennial audience survey demonstrating 80% of participants have increased understanding |                   | Survey in August |        | Survey in August |
|   | Publication sales and circulation grows by 10% each year                                | 5K                | 5.5K             | 6K     | 6.7K             |
| Diversified income streams to ensure financial sustainability       | Increase earned income from 20% to 25% of total income by third year                    | \$160K            | \$173K           | \$199K | \$226K           |
|   | Generate at least a 2% surplus each year  | \$16K             | \$16.5K          | \$17K  | \$18K            |

**Figure 3: Suggested format for Strategies**

| Strategy  | Key Activities   | Priority | Measures & Milestones                    | Responsibility  |
|---|--|----------|--|---|
| Present 12 exhibitions per annum with an emphasis on the development and presentation of new work | See Artistic Program   | 1        | Major exhibitions May, August, November. | Curator   |
| Produce and distribute high quality publications  | Produce exhibition catalogues of a high quality per annum, three full colour, bound, minimum 48 page, publications published | 2        | May, August and November each year       | Publications Manager with support from Designer and Curator |

| Strategy                       | Key Activities                               | Priority | Measures & Milestones   | Responsibility  |
|--------------------------------|--|----------|---|---|
|                                | Produce one artist monograph per annum       | 3        | August each year  | Curator with support from Designer and Publications Manager |
|                                | Produce one theoretical text every two years | 3        | Dec 2008 and Dec 2010   | Curator with support from Designer and Publications Manager |
|                                | Create a new national distribution network   | 2        | Mar 2008 and distribution completed within three weeks of publication | Publications Manager with support from Gallery Assistant    |
| Review communications strategy | See Marketing Plan                           | 1        | June 2008   | CEO   |

**Figure 4: Suggested financial forecast template**

|  | Year 1 | Year 2 | Year 3 |
|--|--------|--------|--------|
| <b>Income</b>                                  |        |        |        |
| Grants   |        |        |        |
| Australia Council Recurrent                    |        |        |        |
| <i>Australia Council Other</i>                 |        |        |        |
| <i>State Arts Recurrent</i>                    |        |        |        |
| <i>State Arts Other</i>                        |        |        |        |
| <i>Other Grants</i>                            |        |        |        |
| Total Grant Income                             |        |        |        |
| Earned Income                                  |        |        |        |
| Sponsorships, Donations, Fundraising           |        |        |        |
| Sundry (Other Earned) Income                   |        |        |        |
| <b>Income Total</b>                            |        |        |        |
| <b>Expenditure</b>                             |        |        |        |
| <i>Fees paid to artists/creative personnel</i> |        |        |        |
| <i>Other Salaries and Wages</i>                |        |        |        |
| Total Salaries, Wages and Fees                 |        |        |        |
| Production/Program/Direct Costs                |        |        |        |
| Marketing and Promotion                        |        |        |        |
| Administration Overheads                       |        |        |        |
| <b>Expenditure Total</b>                       |        |        |        |
| Surplus/Deficit                                |        |        |        |
|  |        |        |        |
| Reserves                                       |        |        |        |

**Figure 5: Suggested format for Board information**

| Name of Director or Committee Member (list all members) | Special Responsibilities, Qualifications and Experience          | Years on Board | Terms Ends |
|---|--|----------------|------------|
| Person A  | Special responsibilities: Chairperson                            | 5              | 2008       |
| Person B  | Special responsibilities: Company Secretary                      | 3              | 2009       |
| Person C  | Special responsibilities: Treasurer, Convenor, Finance Committee | 3              | 2009       |

# Companion Resource: Core Elements of a Strategic Marketing Plan

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## **Purpose**

### **Products and Services**

What the organisation gives to, or creates for, people. Expand, restate or refer to the relevant contextual analysis already provided in your business plan.

### **Context**

Expand, restate or refer to the relevant contextual analysis already provided in your business plan.

- Internal – include networking skills and contacts (e.g. Board members and volunteers, etc).
- External – include any trends in the social, technical, environmental, economic, political, legal or arts environment which may affect the direction that your organisation chooses to take ((e.g. changes to tax laws affecting philanthropy; growing trend for people to want to interact with or co-create the art they engage with; growing use of online social networking)
- Includes any market research.
- SWOT, TOWS matrix<sup>4</sup>, Porters' Five Forces<sup>5</sup>, plus any other tools you want to use.

## **Market**

Expand, restate or refer to the relevant contextual analysis already provided in your business plan.

### **Who are our current markets?**

Consider: funding bodies, sponsors, philanthropists, visitors, audiences, participants, clients, referrals, members and volunteers etc.

Define the separate socio / demographics of the markets you are currently attracting (defining the largest possible 'groups' of audiences/clients in a way that is useful to the organisation (e.g. peers; media; 18 - 45 year olds with an interest in innovation, design and new media; women aged 40 - 55 with an interest in writing; single ticket buyers etc).

### **Competitor analysis**

Expand, restate or refer to the relevant contextual analysis already provided in your business plan.

### **Brand statement**

What is it we offer people? Why do they come to us? Define what audiences 'get' from experiencing what your organisation delivers.

This is how your creative vision translates into something to offer people that no-one else can offer. This is the reason why certain types of people are attracted to your organisation. It should be a really simple statement saying what it is you give to customers/ audiences/ participants/ members from their point of view - that is in terms of the emotional, physical, social benefits and value you deliver to them. For example a social benefit can be "a great chance to socialise with my friends"; or an emotional or spiritual benefit can be "a chance to have a laugh and feel I have done some good in the world".

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<sup>4</sup> The TOWS Matrix takes the SWOT analysis further by cross-matching the environmental threats and opportunities with the organisation's weaknesses and especially its strengths and then systematically identifying relationships between these factors to devise potential strategies on them.

<sup>5</sup> The Porter's Five Forces Analysis is used to assess the external environment of the organisation and strategise accordingly. This analysis is conducted on the basis of five forces. They are threat of new competitors, bargaining power of suppliers, bargaining power of customers, threat of substitute products/services, and rivalry among existing peers and competitors.

This should be based on market research/market perception where possible, not assumptions from the organisation. The shorter and simpler the statement is the better (i.e. easier to communicate to new audiences). Bear in mind, your organisation may represent a slightly different benefit to different markets (e.g. clear information and a good cafe to first time visitors; innovative, demanding or potentially controversial shows for some audiences).

### **Strategic marketing goals**

Describe your overall marketing goals and objectives for the next year, and the next 3 years. (You can use SWOT/TOWS for this). This should fit in directly with the Goals.

### **Target markets**

Expand, restate or refer to the relevant contextual analysis already provided in your business plan.

This is a process of selecting which segments of market/clients are worth pursuing with the resources available. This will probably include existing markets, but may also include some new markets, or deeper penetration of existing markets. This is a simple statement that reinforces the Goals and need only be one or two sentences.

### **Marketing strategies for target markets**

This includes developing any new programs, initiatives or products for certain target markets. Consider distribution and partners (e.g. if you want to reach more people interstate or overseas, consider what strategic partners you are working with to deliver this, and how you are going to handle your relationship with these partners). This includes any pricing strategies, product strategies, artistic strategies, distribution strategies, people strategies and also any philanthropy or sponsorship strategies.

Each strategy should be specific, measurable and achievable and should have a specific KPI over a specific time.

This action plan comprises specific activities for each strategy above, which will achieve each of the strategies above:

- who you are targeting;
- what medium you are using;
- what message are you sending;
- how are you delivering it (promotional plans and program);
- who is responsible for it;
- how much you have budgeted for it; and
- how you will measure success, KPIs.

If applicable, you may need to develop separate action plans for marketing communications (or promotion and outreach), sponsorship and philanthropy.