

Business planning

Moving forward on the right foot

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Cranfield Trust

We're an **independent charity** that works alongside other charities to offer **management advice, training and professional support**

Our **purpose**

To empower charities with the confidence and capabilities to thrive

Our **values**

- We care and connect
- We learn and lead
- We focus on impact
- We meet the moment
- We raise the bar



Why do business planning?

Question – Do you really need a business plan?



Why do business planning?

- It is a reference point for your mission
- Important stakeholder/funder communication - @70% of charities struggle to make effective use of their business plan
- Yardstick to assess performance against – make sense of the world



The world we live in – complicated!



- What do you think has changed? (at least as affects business planning)?
- My answers
 - Volatility & Risk–uncertainty/ ‘the lack of answers’ – e.g. pandemic!
 - Structural changes – economic and social shifts – demand for services
 - People – How they view the world and interact with it
 - Balance between the ‘long view’ and being responsive

5 Pitfalls in business planning

How does business planning fail?

Pitfall No 1 in business planning

Planning by the 'rear view mirror' method

Unpack this

- Is a recital of the past – 'historical narrative'
- Has little to say about the future – assumptions rooted in past
- 'Fossilises' activity in the charity – crushes innovation
- Risk – creates divergence between board(drivers) and frontline (passengers)

Pitfall No 2 in business planning

The 'rootless' business plan

Unpack this

- Not 'anchored' – ignores important stakeholder input
- Only meaningful to the author/s
- Peter's out when everyone realises it is unachievable
- Risk – It alienates stakeholders – nobody can buy into it

Pitfall No 3 in business planning

The 'Tolstoy' business plan – The biggest most detailed plan in the universe...EVER!

Unpack this

- Stifling detail
- Is redundant by the time it is written
- Is a grind to write and maintain
- Risk – It is brittle...and people soon cotton on to this...

Pitfall No 4 in business

planning

The 'doughnut' plan

Unpack this

- Ephemeral/ a wish list couched in superlatives
- Confuses end points/outcomes/mission statement with goals
- Impossible to evaluate – How would you know you have achieved it?
- Risk – Nobody can get traction on it – It attracts little real effort ..and payoff

Pitfall No 5 in business planning

The 'absent plan'. There isn't one!

Unpack this

- Progress determined by 'the fates' - Success(or failure) is a gamble
- Lack of awareness as to why a business plan matters
- No reference points to assess 'enablers' or 'disablers'

Risk – Shortcut to 'disaster faster'

The pillars of new business planning

A business plan should be....

- A statement of 'Investability' – attracts investment (£'s and hearts)
- Future oriented – Is about a future state
- Founded on a diverse constituency – built in 'reality check'
- Brief – focus is on hard goals (The 'vital few' not 'trivial many')
- Resonant – staff and stakeholders can relate to it
- Comprehensive – tells a story – has key elements
- Quick to prepare and change – 'enabler' rather than 'lock in'

Doing business planning – deep dive

- **Strategic analysis** – A brief diagnosis of the ‘outside world’
 - ‘Grounded reality – Risks, opportunities, demand’
- **Your strategic response to this world reality**
 - No more than 3 or 4 BIG goals – ‘moving the world on’ – with targets and measures
 - Attainability exercise / An educated likelihood of success
- **Finance plan**
 - The money/resources required to deliver the big goals & business as usual
- **Stakeholder management plan**
 - Who you need to engage with to deliver the big goals
- **People plan**
 - What people and skills you need – ‘make or buy’ decisions
- **What about an operations plan?** Save this until later.....

Title here

- Bullet points here
- And more
 - More here
 - And here
 - Here too
 - » Last one

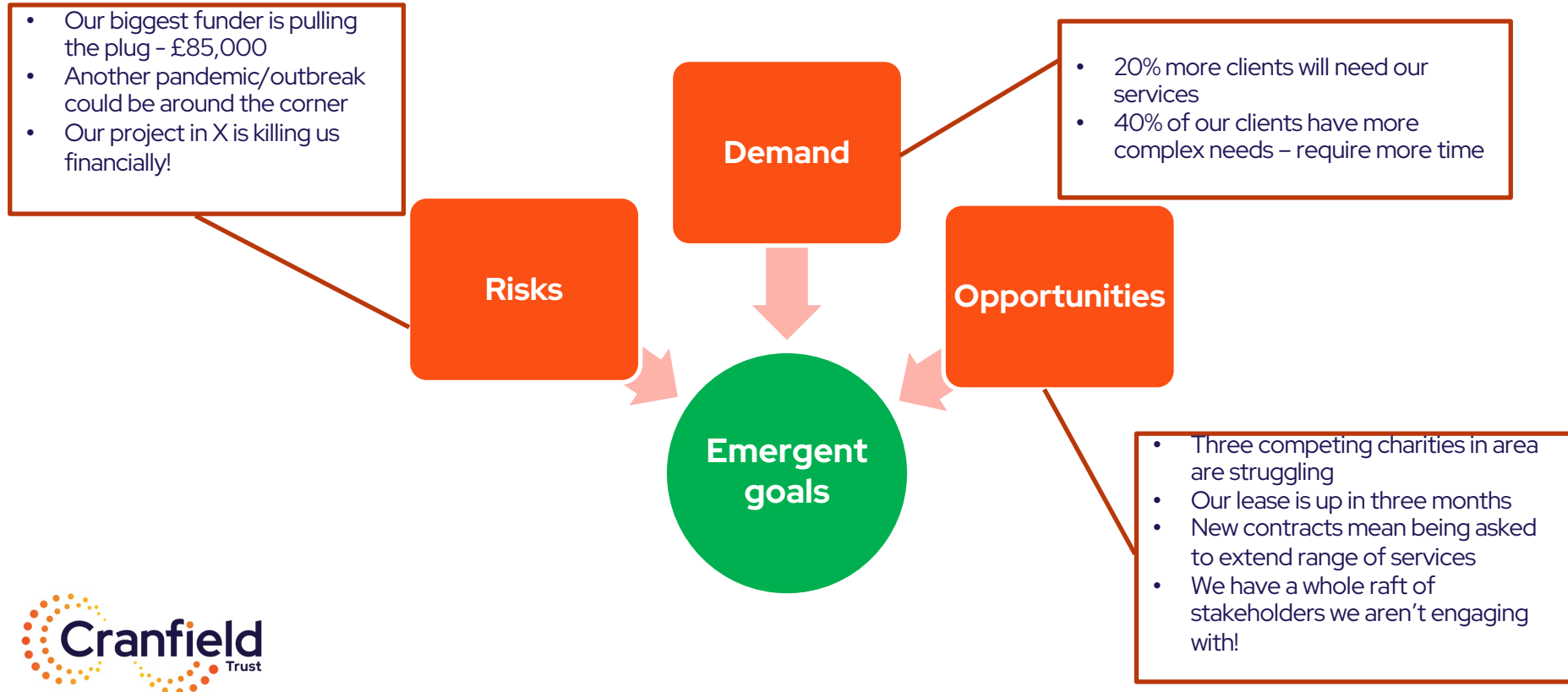
Four good questions – Insider secret No1

- Who do you REALLY create value for?
 - Obvious Vs unobvious stakeholders
- What will the world bring us in the next 12 months?
 - demand/opportunities/risks
- How will we service it/mitigate it?
 - What goals to achieve
- What shape do we need to be in to service it?
 - your configuration/ resources/ organisational health

Planning in practice – strategic analysis

- **Grounded reality** – why diversity matters
 - Cross section of your organisation/key stakeholders/Give voice to your beneficiaries
- Make sure **EVERYONE** involved sees the same data
- Marshal data and responses around these key questions:
 - What **demand** is likely in the next 12 months (where from, how is it likely to come)
 - What **opportunities** are likely to present themselves in the next 12 months
 - What **risks** may present themselves over the next 12 months
- Group and rank responses – you will see priority areas emerging

Strategic analysis - example



Planning in practice – strategic response

- Focus on moving the world on
- No more than 3 or 4 BIG goals linked clearly to strategic analysis
- Goals have targets and measures
 - You can
 - Do more of something
 - Do less/exit doing something
 - Do something different
- Use the same cross section of stakeholders to formulate goals
- Have an **initial validation** of your goals – are they attainable?
Anything hiding in the shadows? (risks, money, assumptions)
- Revisit and refine until you are happy

Strategic response – example

- Increase our beneficiary base in three more cities in Scotland by 2025
- Partner with two similar charities in our field by 2026
- Exit our partnerships with A N Other Ltd by 2024
- Bid for three known contracts by 2025
- Increase our donations base by £25,000 by 2024
- Relocate our centre to better, smaller premises by 2026
- Deploy 50% of staff and volunteers remotely by 2027
- Develop three new services for the family of beneficiaries by 2026

Attainability of goals – Insider secret No2

- Goals need to generate activity
 - Leading not lagging
- Assess the attainability of goals
 - Most plans never do!
- Your front line/cross section of staff
 - Your best validation
- ALWAYS 'de-risk' your goals
 - 'Do-ability' check assumptions and rate their likelihood of success

Planning in practice – Finance

plan

Three areas of focus:

1. Keeping the lights on – Business as usual
 - The standstill cost – “ If we do nothing different – what is the cost of standing still”?
 - Your backstop numbers – “If it all goes pear shaped”
2. Costing the goals (forecasting)
 - Projected savings, outgoings/investments, projected income
3. SHOW your risk- make it explicit (internally)
 - Under capitalisation, exposure to default, income risks, legal risk

Finance plan – example

1 Standstill costs

- Our current payroll/fees are £125,000 pa
- Our premises cost £15,000 pa
- Our current contractual commitments cost us £65,000 pa to service

2 Costing the goals

- Recruiting three more staff for our service expansion will cost £90,000
- Winning the bid for services with XYZ will generate £75,000 net profit
- Relocating our premises will cost us £12,000 but save us £4,000 pa recurring

3 Risks

- Another lockdown means our social enterprise will close – Risk is £10,000 pa
- Loss of funding for our project in Aytoun will cost us £65,000 pa
- If 2 members of staff leave it will cost us £45,000 pa replacement else, we cannot service existing contracts

Always 'follow the pounds' – what you are committed to Vs what you bring in

Planning in practice- stakeholder management

- Know your stakeholders– Who do you deliver value to? (Inc. staff!)
- Tailor messages to particular stakeholder – “ Investability”
 - The emotive message – the heartstrings
 - The rational message – the purse strings
- Tie up your stakeholder management with finances
- Avoid a ‘scatter gun’ approach
 - Ubiquitous messages/‘Bread on the water’
 - Obscure messages – ‘in group’ only
 - Hollow messages – “ no meat in the sandwich’
- Messages must be **USEFUL** to the recipient – must answer a need

Stakeholder management – example

- Messages make money – focus on value
 - Fit the tool to the stakeholder – and learn how to use it
 - The emotive message – ‘Emotional investment’
 - Social media/Websites/direct approaches (mail, email, press, letters, face to face)
 - “ What we have done, how you have helped and your part in the future”
 - The logical message – Practical investment/ The ‘value’ message
 - Bid material/collateral/lobbying/campaigning
 - “ This issue is costing X – for Y we can reduce the cost of this issue”

Planning in practice – people plan

- Cover off business as usual and the big goals
 - Can you service your current operations?
 - Risks/dependencies
 - Can you service future demand, opportunities, risks?
 - Skills, amount of people, deployment of people
 - Walk-out costs and replacement costs
 - Right people – right place – right time – fit for purpose
 - Operational staff
 - Your board
 - Make or buy decision
 - Get the finished product or
 - Develop your own people – training

Planning in practice - operations plan

- Execution of the goals and 'business as usual'
 - Is a decomposition of goals
 - Goals become targets become means become targets and so on
 - It needs an owner
 - One person
 - Report on it – regularly
 - Board and 'Town hall' meetings
 - Act on feedback
 - Tune your plan
- Give everyone an action in support of goals

Get the goals right and the plan writes itself – Don't let the tail wag the dog!

Operations plan – example

- Goal 1 – Bid for three known contracts by 2025
- Appoint bid leader/project manager
 - Engage with procurement team releasing bid
 - Qualify bid
 - Prepare bid materials
 - Draft bid template
 - Draft costs for bid
- Brief bid team for any competitive dialogue
 - If win – assemble and brief deployment/transition team

Operations plan – what I expect to see in it

- Decomposition of goals – From the general to the specific
- What is needed to make progress to goals & service existing demand
 - People element
 - Bridging existing and future needs for skills
 - Finance element
 - Costing and tracking of goals and business as usual
 - Process element
 - Keeping the lights on/Business as usual
 - Risk management and upward feedback mechanism
- Alignment between goals and business as usual
 - Reality check – “If everyone is too busy to work on the goals....”
- Revision and feedback

The plan – what you show to the world

- Remember the idea of ‘investability’?
 - A foreword from your chair/CEO – “ How we are moving forward”
 - Your strategic analysis – “ Our making sense of the world”
 - Your strategic response – “ Our informed response to the world”
 - Your goals – with targets and measures and a sense of attainability/de-risking
 - Your health as an organisation – brief summary
 - financial health
 - resources
 - human capabilities/operational capability and capacity
 - governance
 - And little more!

The wrap up – moving forward

- Know your value – who you are valuable to – ‘Investability’
- A plan must generate action
- A good plan – faces the future – “The will of the organisation”
- Diversity, diversity, diversity – “engagement = strength”
- Flexibility – Revision time scale – 18-24 months at the moment
- Keep it proportionate – “The vital few”
- Start small – practice makes perfect

Crib sheet – A flying start

- Assemble a cross slice of the charity/stakeholders
 - Must include front line and someone who knows ‘the numbers’
- Pose these 2 questions
 - Who do we REALLY create value for? Obvious Vs unobvious stakeholders
 - What will the world bring us in the next 12 months? (demand/opportunities/risks)
- Formulate 3 or 4 big goals (or just pick ONE if you are starting)
 - What actions must we take to service future demand and opportunities and mitigate risks?
 - What shape do we need to be in to service it? (your configuration and resources)
- Validate/rejig these goals
 - Affordability and attainability –use forecasting and ‘informed speculation’ You need the numbers!
- Deploy and communicate your goals
 - Plan for comms with internal and external stakeholders
- Track progress and revisit/revalidate goals

Some useful links

- <https://www.cranfieldtrust.org/resources/charity-strategy-and-business-planning>
- <https://www.ncvo.org.uk/help-and-guidance/strategy-and-impact/strategy-and-business-planning/business-planning/->



Thank you!

We're here to help:
TalkToUs@cranfieldtrust.org
or call us on 01794 830338

