

# AbaF

## Business plans

This Fact Sheet summarises the steps in developing a business plan. Planning is as much art as it is a science, one plan does not fit all. Your plan will be uniquely about your art business.

### **What is a business plan?**

A business plan is the statement that identifies your business goals, and the plan of action [strategies] to achieve those goals.

Most business plans are set for three to five year periods. The term of your plan will depend on the amount of information you can include in it to develop realistic forecasts.

There is no such thing as the “perfect” business plan. A business plan is a living document. As you use it to guide the choices you make, you are also constantly assessing it and revising it to match your changing circumstances and the changing environment in which you work. Don’t stall trying to write a huge plan that seems impossible to finish and even more impossible to implement. Keep your plan short. Aim for 10 pages, or no more than 20 pages.

### **Why develop a business plan?**

A Business Plan will enable you to:

- define the future direction for your professional practice with goals that can be supported financially
- face the challenges of your business in a strategic way that will inspire you to achieve your goals
- enhance your communication with clients, agents, peers and other stakeholders by being clear about your business
- demonstrate your success as you achieve your goals, or to inform you about the need to review or change if you are not achieving your goals
- develop a long-term guide for your day-to-day decision making.

### **What are the elements of a business plan?**

The common key elements of a Business Plan are:

- an executive summary
- a situation analysis
- goals
- performance measures and targets
- strategies for achieving goals

#### **1. The executive summary**

The executive summary is the first page of your business plan – it is a concise summary of the whole plan and anyone reading it should be able to grasp what it is you do and what you want to achieve.

#### ***TIP:***

*It is best to write this summary page last*

## 2. Situation analysis

It is important to undertake a situation analysis to gain a better understanding of what business it is that you are in and where you are currently placed. This will enable you to identify your current strengths and weaknesses and then plan for developing and growing your arts business by setting realistic goals.

An analysis of your situation could include:

- case studies
- experts opinions about your work
- public perceptions
- critics
- peer assessment
- your gallery or retail outlets' perceptions
- your track record in sales, in attracting commissions or initiating projects

Responding to the following questions and points will enable you to articulate your business in an effective and clear way:

- The location of premises and facilities for undertaking your business. How do they impact on what you do and on your market? Do you lease, rent or own your premises and what are the terms?
- What is your business structure? Are you a sole trader, in partnership or a company?
- What are the unique features of your practice?
- Who are your business advisers? Do you have an accountant with arts experience, a solicitor and a banker?
- What are the relevant industry regulations and standards? Do you have all the relevant registrations, permits, licenses? Is your intellectual property properly protected?
- What are the activities and services you offer? What is it that you offer to your clients? In answering these questions, you will need to comment on your competitive advantage; the product or service, or method of delivery of a product or service, that you have that is better or uniquely different to those provided by others. This should be a major focus in planning for the effective delivery of what you do. In the visual arts, your competitive advantage is often your intellectual property, your skills and expertise, your creative output and the networks or relationships that support your practice.
- What is your past performance? What have been your achievements and failures in the past? What is your turnover, your gross profit or loss and your net profit or loss over the past twelve months; 24 months and 36 months? What are the resources available to you - including skills, experience, finances and outlets for your work?
- Provide an industry overview – What are the key industry characteristics for you? How will trends effect your operations (e.g. technology, fashion, economy, shape and size of your sector)? Understanding your industry will enable you to decide whether or not your intended activities and strategies have a chance of succeeding.
- What is your market? This includes an analysis of your suppliers, substitutes which people may buy or activities engaged with as alternatives to what you provide, customers including your buyers, commissions, galleries, collectors, competitors and new entrants to your sector.
- What are your strengths and weaknesses? You will need to undertake a strengths and weaknesses, opportunities and threats analysis by responding to the questions in the grid below.

<b>Internal environment</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>
	What do you know you are good at or have to support you?	What do you know you are not good at or don't have support for?.
<b>External environment</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
	What is out there supporting what you want to achieve that you are not currently taking advantage of?	What could damage what you have achieved or could achieve?

### 3. Goals

You will need to set some goals by deciding what it is in the next three to five years are the most important things for you to achieve, taking into account your Situation Analysis. Each of your main services or activities should have clear goals and they should cover the following key areas:

- *Artistic*: about making and producing work, recognition of your work and your standing locally, nationally, and internationally
- *Access*: about getting the work "out there" - where, how, for whom.
- *Financial*: about your income and expenditure, viability.
- *Management*: about how your business will be managed, where, what facilities, who will be doing what, risk exposure.

### 4. Performance measures and targets

You will need to put in place some measures and targets to inform you about your progress towards your goals and the effectiveness of the plan. These need to be realistic because they are your early warning system. You may need to review your goals during the time period allocated to your business plan, alter direction to take up new opportunities or make a change if things are not going well. It is important to keep the measures and targets simple, and restrict yourself to no more than two or three for each goal. Without measurement, you may, though for the best of reasons, just be running yourself into the ground.

#### **TIP:**

*Goals and performance measures should be SMART*

*S=pecific*

*M=easurable*

*A=chievable*

*R=ealistic*

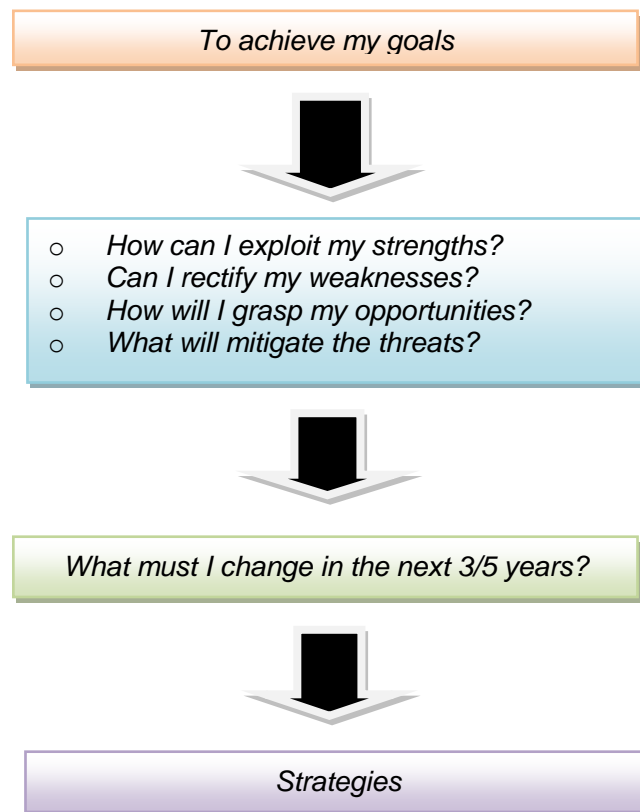
*T=angible*

### 5. Strategies

Once you have identified your goals, you will need to develop a plan of action to enable you to reach each of them; a strategy. Your strategies are the most effective ways you have identified to achieve your goals taking into account the Situation Analysis.

The strategies you develop may fulfil just one goal or may enable you to achieve many of your goals. The strategies that you put into place that can assist you in meeting many of your goals should be given a higher priority.

The following flow chart is a useful reference point in developing strategies to achieve your goals.



By developing strategies for your goals you will be able to organise your plan under three separate areas that will typically be:

- Management
- Marketing
- Financial

Under the management section of your plan you would include:

- A description of your business structure
- How legal issues such as intellectual property, licensing and contracting are managed
- How you are going to manage the risks associated with your business and practice.

Under the marketing section of your plan you would include:

- A description of you, what you make and the services, if any, that you provide
- How you will promote your work or services to build your business, practice and image (including networking)
- Pricing policies.

Under the financial section of your plan you would include:

- A description of your current position including current balance sheet
- Your budgets and projected profit and loss over the next two years.\
- Your projected cash flow (cash in and out) on a monthly basis for the current financial year? (12 months)
- Sources of available finance

## 6. Testing the plan

Before finalising your plan you will need to test it to ensure that it is effective and targeted. You will need to ask yourself whether your business plan assist you to:

- *Achieve your goals* – Do my strategies take me towards my goals?
- *Be financial viable* – Can I afford it? Do I really know where the money is coming from to support what I intend doing?
- *Manage Risk* – How much risk is there? Consider access to your markets, your artistic reputation, financial risk and environmental factors such as economic trends, fashion, new technologies.
- *Assess the feasibility of your plan* – Do I have the resources and the capability?

Get others to read your plan. Does it make sense to them? Often feedback from others will assist you to clarify your thoughts and refine your plan.

## 7. Going forward

Ensure you regularly update your plan to meet your changing circumstances and the changing environment in which you work.

Use your strategies as a working action plan guiding your decisions.

Ask for help when things are unclear or choices difficult.

### References and further reading:

- English J, *How to Organise and Operate a Small Business in Australia*, Allen & Unwin Sydney 2001.
- *Establishing a Small Business*, NSW Department of State and Regional Development, 2002.
- *Museum Methods: A Practical Manual for Managing Small Museums*, Museums Australia, Canberra, 2002 - [www.museumsaustralia.org.au](http://www.museumsaustralia.org.au)
- Steidl P, *The Art of Strategic Planning: Visions and Strategies for Cultural Organisations*, Department of Communications and the Arts, Business Victoria, Department of State Development Canberra, 1997.

### Useful websites:

- [www.business.gov.au](http://www.business.gov.au) - presents government information and services including planning
- [www.ourcommunity.com.au](http://www.ourcommunity.com.au) - information spanning all aspects of running a community group and comprising a range of resources
- [www.smallbiz.nsw.gov.au](http://www.smallbiz.nsw.gov.au) - NSW State Government information website for people starting and managing small business.

Also see:

- Local business advisory services
- Local business enterprise centres
- State government arts, industry and commerce websites

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