

Using Your Business Plan

Panel: Moderator, Dan Carlson, Evans School of Public Affairs, University of Washington; Melora Hiller, Impact Capital; John Doan, Sumner-Bonney Lake Education Foundation.

Introduction by Daniel Carlson:

1. Strategy: Don't spin your wheels, know where you want to go--Define Goals.
 - a. Define objectives: What exactly are you going to do?
 1. How will it impact your organization?
 - b. Business Plan helps an org. test: Is there a market for a particular product, service?
 - c. Within your organization, is your capacity in alignment with your strategy?
 - c. Understand the ramifications of how you will fund and whether your plan will actually work and/or improve your organization.

John Doan:

1. Working with a strategic plan
 - a. Guide for Staff and Board
 1. How do we take this to the next step?
 - b. Funders need to know how you're going to do your business
 1. Outline your ventures
2. Strategic Plans and Business Plans should ideally be done back-to-back.
 - a. Strategic plan imperative to business plan
 1. SWOT Analysis necessary
 1. Going to accurately assess org. assets, if done properly
 - b. Strategic Plan states your direction
 1. What are the internal and external components which pertain to your business plan.
 - c. Important to Budget: 5 years of plans of costs & of revenue
 - d. Test of Strategic Plan: Helps figure out what staff/resources will be necessary to implement plan.
 - e. Actual ROI (return on investment)
 1. Important to value time--is this the most effective use of staff/volunteer resources?

Melora Hiller:

1. Impact Capital is an intermediary organization which raises money for not-for-profits and then grants it, as well.
 - a. Involved in neighborhood revitalization projects
 - b. Like Venture Capitalists
 1. Provide grants and some professional consulting/volunteers, if necessary
 2. Don't volunteer at the program services level
 - c. Involved in capacity building programs
 1. Seattle Community Development Collaboration
 - a. 1.4 million--Outcome funding model
 - b. Professional evaluation: \$ based on business plan

2. Why is a business plan important?
 - a. The more an org. knows about their resources, both direct and indirect costs, the better they can zero in on funding targets.
 3. Should not operate in isolation
 - a. Community-minded. Look at the community and understand what is needed.
 - b. Enables an org. to position itself and perhaps even partner with other organizations.
2. Accounting Systems
- a. Separate out costs
 - b. Know what's working, what's not.
 - c. Board has to own this process
 1. Business Plan should be a management tool
 - a. When investee partners reported back, Impact Capital could see if they were on track.
 - d. Are there realistic, reasonable assumptions in an organization's business plan?
 1. Financial Projections: Business Plan must contain them, unlike a Strategic Plan.
 - a. Cash flow, budgeting, financial indicators
 2. Determining capacity of org.
 - a. Real world performance vs. "on-paper"
 - e. Outcome Funding approach
 1. Based on targets an org. has set
 - a. Turn into a performance outcome
 2. Funders might attach extra conditions to grant if they believe that is necessary to attain the target
 - a. For example, board members, computer/tech. support
 - f. Business Plan is reviewed by Board and Staff, often in conjunction with funders
 1. Has the org. met interim targets?
 - a. If not, why not?
 - b. Acceptable to explain why not, and then re-set targets.
 1. Not acceptable to maintain status quo without evaluating

Daniel Carlson:

1. Recommended Text by Hal Williams: Outcome Funding.
 - a. Investor/Investee Partnership: Together invested in making a re-vitalization occur
 - b. Milestones/Targets/Goals
 1. Milestone: Example is 5 units of housing in the first couple of years
 2. Targets: 5 years out, 100 units of housing
 3. Goals: A generational goal where housing produces a sense of community where one could raise a family or start a business
 - c. Less important in this partnership is the process
 1. Grantor/Recipient working together to create a benefit to the community
 2. One necessary component: Accountability
 - a. Funding will disappear if not meeting milestones (i.e., continually performing at a sub-par level)
 - b. But there's room for discussion & debate
 1. When is it reasonable to proceed?
 - c. In the end, must have intentional proposal to meet milestones & goals
 3. Model has limitations in that some things are not easily quantifiable

- a. In order to try to quantify, might look at it like this:
 - 1. What has changed for the better because of what your org . has done?

Melora Hiller:

- 1. Business Plans help an org. to work harder, work smarter
 - a. Example: Impact Capital has an agreement that their investees will receive 75% of their grant as a given and 25% if they meet their targets.
 - 1. Money is always there waiting for them to reach their targets
 - 2. Money will only be withdrawn if org. has promised a business plan and has not delivered, or org. is not accountable to investors.
- 2. Business Plans are the best way to reduce risk
 - a. Ask these questions:
 - 1. What are the things we are going to try?
 - 2. What are we going to do if we fail?

Session Opened to General Questions Answered by Panelists:

Question: How do strategic plans compare with business plans?

- 1. Business Plans cannot be left on the shelf if organization are going to try something new
 - a. Business Plans are list a day-to-day grocery list--they help keep orgs focussed.
 - b. Strategic Plans function internally:
 - 1. Individual Staff targets, Dept. targets, Organization targets

Question: How do you quantify services being offered which are difficult to measure?

- 1. Look at BROADER picture to answer "How are you making the world better?--Look at how your org. fits into all the organizations which are tackling a certain problem in your area..

Question: What to do when an ED is a visionary and has difficulty looking at the nuts and bolts of strategic and/or business plans?

- 1. Meld the larger vision with specific ways your org. can attain it.
- 2. Make the pitch that internal organization promotes a health organization and a business plan is one way in which you become healthy.
- 3. Business Plans tell you have you're going to diversify your funding base in order to accomplish your vision.
- 4. Give a visionary snapshots--bite-sized pieces and encourage him/her to not bite off more than your organization can chew. How can you do that?
 - a. Identity your SWOTS--If you work with a visionary, your board needs to judge whether that visionary is a fit and actually benefits the organization
 - 1. Is ED fit to manage an organization an a day-to-day basis, using the business plan as the blueprint?
 - a. If not, can you afford a COO and move ED to CEO position

Comment was made on the historic under-capitalization of the NFP sector.

- 1. Arm yourself with information to prove to funders what it REALLY costs to provide services.
- 2. A Business Plan helps make the case for retaining talented, competent staff who are properly compensated.
- 3. Don't let people tell you that you should not have excess money. All organizations need financial reserves, a minimum of 90 days worth.
- 4. Commit money to re-vitalizing and insuring that you're maintaining org. capacity & resources.

Question regarding stakeholder's part in this process:

- 1. Should always check with stakeholders during a Strategic Planning process

2. Important to periodically get feedback as far as the efficacy of your program from your client's point of view. Evaluate as often as is reasonable to do so.
3. People we serve are folks we need to hear from.

Comment about a 5 year planning cycle: World changing so fast, 5 years seems unreasonable.

1. Look out to five years, but plan for 3 years, which is a reasonable cycle for strategic planning.
2. Revisit long-term plans periodically, if only to remind yourself what long-term goals are and to re-think present plans if circumstances dictate.
3. Contingency plans are a great benefit of business plans.
 - a. X is our first choice, but if X doesn't happen then we will plan for Y.