

## *Financial training For non financial staff*



*The financial training specialists*

### **Quilt museum folds (budgeting and forecasting)**

That headline was a gift when York's quilt museum closed in October 2015.

A quilt museum is a niche area, and there just hadn't been the visitor numbers to support it. But surely there'd been a business plan before the new venture opened? Didn't that forecast the problem?

Yes, there had been a business plan (and with hindsight criticism is easy!). The plan had forecast that with 30,000 visitors pa the museum was viable.

In reality there were no more than 12,500.

So how could the business plan forecast the need for 30,000 visitors, yet be so wide of the mark in actual numbers?

With some plans and budgets we tell ourselves what we want to hear, rather than the truth.

One of my clients has an impressive process of investment appraisal to ensure the viability of new projects. The dangerous ones are the "pet projects" of the Board: they tend to pass the appraisal, then fail. Big time!

Many businesses have a 5 year plan (including my own business!). I read recently that the most common pattern of such plans is two years of struggling, whilst promising fantastic results in years 4 and 5. The reality is usually two years of struggling, but never reaching the Promised Land in the final years. Sadly, I can confirm that in my own experience...

The answer? We must forecast reality, rather than forecasting what we want to hear. It won't make us popular, but it's a far better guide to the future!