



Start Up Lancashire Social Enterprise Toolkit

Workbook 1

How to write your Business Plan



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Disclaimer

Any information pertaining to the law, legislation and regulation is provided in good faith. You are advised to seek professional advice or consult with the relevant body to discuss the legal position as it relates to you and your enterprise before deciding upon your final course of action. Such bodies will include: Companies House, Charity Commission, HMRC.

The information supplied was checked in December 2012 and may be subject to change, especially legislative and monetary values, so you are advised to check for updates.

E&OE

Introduction

This Workbook has been written to run in conjunction with business adviser support and developed for the 2013/14 Start-up Lancashire programme part funded through European Regional Development Fund (ERDF).

The workbook has been developed to support the SUL “Social Enterprise Toolkit” and includes details on Business Planning.

Business Planning

It is assumed that prior to using this workbook you will have worked through the concept and feasibility stages detailed within the Social Enterprise Toolkit. Where necessary you will have completed your initial research from consultations with stakeholders, statistics and supporting information for the needs of your social enterprise.

A business plan is often referred to as a document that you can make freely available to stakeholders to tell them what you are about.

However, a full Business Plan will contain some valuable and sensitive information that you shouldn't and wouldn't want everyone to see. For example you are commenting on local competitors, looking at how you can do things differently/better. You will be considering your strengths and weaknesses and you will be detailing your costing model and financial plans – all commercially sensitive information.

Consider a business plan having two purposes:

- 1) For you, the management board and investors to understand how the business will operate, grow and develop.
- 2) For gaining the support of partners/stakeholders which could be your local Council, the NHS, other Public Sector bodies, other community bodies or even prospective volunteers.

In the Social Enterprise Toolkit, Selnet recommended developing a concept document to 'sell' your start up idea and attract supporters. This is usually 2 pages and gives a broad picture of your business and, as it doesn't contain any commercially sensitive information can be freely distributed as required.

So to save time and do the job just once, we propose that you develop your more detailed business plan into two sections.

Part 1 will describe the business, its mission and what it is going to do, this can be freely distributed as required.

Part 2 will contain your financial and sensitive information that you will only share when necessary.

How to Write a Business Plan

"A business plan is a written document that describes the business, its objectives, its strategies, the market it is in and its financial forecasts. It has many functions, from securing external funding to measuring success within your business."

Source: Business Link guide to preparing a business plan

A business plan is:

- A **written** document setting out what you propose to do in your business and how it will be done.
- A **working** document to help guide your business throughout the life of the plan.
- A communication **tool** for use with suppliers, clients, advisers, banks, funders etc.
- A **monitoring** document that you can use to compare your plans with your actual business performance.

There are many forms and formats for a business plan openly available. We recommend you develop your plan to suit your business. Factual plans prepared to seek funding or development loans can be dull to the reader. Because social enterprise is about people, and their lifestyles the plan should incorporate that added element to the business. The 'not for profit' organisation can be an attractive investment opportunity.

Why do you need a Business Plan?

Your business plan is evidence that you have made an analysis of your business idea and that you are adopting a professional approach to your business.

For existing small businesses, micro enterprises and community based enterprises, the notion of producing a strategic document, may be greeted with derision, or the cry of "we don't have the time!" However, it is within these smaller enterprises that the business planning process is a vital necessity – larger enterprises may have the resources to 'ride out' a major mistake or cash-flow crises, where as a smaller enterprise will most certainly not!

- It allows you to set targets for yourself and your business.
- It gives a complete picture of your business.
- It is an exercise to assess the viability of your idea.
- It helps to reduce the risk of business failure.
- It helps you to raise business finance from a bank, investor or other agency.

What funders will look for in a business plan

When you present your business plan as a tool to raise finance you should remember that funders are looking at a number of different factors, including:

- Whether the business is **financially viable**, will it generate more income than expenditure? Will it be able to meet demands for payment?
- The **effect on cash flow** of different trading circumstances.
- The knowledge, skills and experience of the **key people involved in the business**.

They can be summed up as The Four C's:

Character	Do you possess the talent, reliability, honesty, organisation skills and understanding of the market to manage the proposed project?
Cash Flow	Will the project generate sufficient cash flow to enable the repayment of the loan, and have foreseeable contingencies been allowed for?
Collateral	[security] What are your assets; what can you offer as security, and what are you not prepared to risk?
Contribution	[equity/investment] What are you and/or your fellow investors risking in the business?

Who should prepare your business plan?

‘The best person to produce your business plan is you’

A business professional is often used to write a plan. They can never understand as much about running the business as you do and as such you and your team should do it. Don't worry about writing style, your drive and passion will come through and the reader will see your enthusiasm.

Standard Contents of a Business Plan

Front page	<p>Time frame of plan, i.e. 2013 - 2015</p> <p>Name of organisation</p> <p>Company Reg. no if applicable</p> <p>Full contact details - Address, telephone number, email, website</p> <p>Date of issue and version</p>
Executive Summary	<p>This is best written after you have completed the whole plan.</p>
Part 1 Can be widely used to promote the business	<p>A summary of the plan for the business</p> <p>Vision, Mission Statement, Values</p> <p>Aims & Objectives</p> <p>Business Structure</p> <p>Governance and Management</p> <p>Background</p> <p>Products/services/activities</p> <p>The need</p> <p>The market</p> <p>Operations</p>
Part 2 Used to gaining the support of partners and stakeholders, containing commercially sensitive information	<p>Competitor analysis</p> <p>SWOT/PEST Analysis</p> <p>Operational costs</p> <p>Marketing Plan</p> <p>Financial Plan</p> <p>Profit and Loss forecast and Cash flow projections</p> <p>Risk assessment</p> <p>Monitoring & Evaluation</p> <p>Action Plans and Targets</p>

The Business Plan (Part 1)

The Executive Summary

This is best written after you have completed the whole plan. Then you can produce the key points relevant to the reader, depending upon the size on the plan you should look to no more than 2/3 sides of A4.

A major grant funding body said recently that they get swamped with business plans, some are up to 50 pages. There is no chance that they can read them so they have to find other ways of making the snap decision about which to invest in.

Use your Summary to capture attention and supply the information necessary to get someone to 'buy' into your enterprise.

The Vision, Mission Statement, Values

Note - full details on how to develop this section of the plan are included in the toolkit

- The **Vision** Statement describes your future; where you are going or where you want to go.
- The **Mission** Statement describes "today"; why you exist and what you aim to achieve overall.
- **Values** list 4-6 core values that you want to define your business, i.e. we believe everyone has a right to be heard; we value people as individuals; honesty & integrity. Consider values of customers, shareholders, employees and the community.

Aims & Objectives

Defining aims and objectives is extremely important for social enterprises because they are trying to create added value through social and environmental impact, as well as profit.

Aims are 'why you do it'

Objectives are 'how you do it'

Some social enterprises will feel that their mission and overall aims are the same – this is not a problem and there is no need to write two different statements if one can do the job.

Your aim should be a short but general statement of intent about *why* your social enterprise exists and what it is set up to achieve in the long term. Organisations tend to have one **overall aim** but some social enterprises also have a set of more specific aims which help to explain the general statement in more detail (see the diagram below).

Your objectives are very specific statements that define the practical steps you will take to achieve your aim(s). Objectives are about *what* your social enterprise is intending *to do* in the short to medium term and *how* it is going to create change.

Unique Selling Point (USP)

The factor or consideration presented by a seller as the reason that one product or service is different from and better than that of the competition.

Business Structure

Detail the structure you have chosen for your organisation/business, whether this is unincorporated or incorporated and where applicable Company/Charity Registration number.

Governance and Management of the Organisation

Organisations need a structure to ensure that those who take the roles of directors, trustees or officers are accountable to others within the organisation. You should explain in this section how your organisation is governed, managed and its accountability – An organisational chart might be useful also.

Background information

Supporting information on how the enterprise/idea developed your experience/skills and track record, etc.

Products/services

What the business will do, including what makes the service or product different (its “unique selling point”). The activities you will offer.

The need

What is the problem you are trying to solve and/or why is your product or service needed. Why isn't it being met by other organisations/services/products?

The market

Demographics, statistics, market introductions.

Define the target population - those in need/those at risk/ those who will use and benefit from the project. Estimate the need or scale of the project (the geographic area of need can be shown on a map). Collect some statistics: the prevalence (how many people need the service).

Operations

Who will run the business, where it will be based, the Regulatory requirements i.e. H&S, Legislation and Staff C.V's

The Business Plan (Part 2)

Competitor analysis

How the business will compare its competitors. (including sales projections)

SWOT Analysis

The organisation SWOT is to evaluate the Strengths, Weaknesses, Opportunities, and Threats to the business. It involves specifying the objective of the business and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. (See template on page 8)

PEST Analysis

PEST analysis will evaluate Political, Economic, Social and Technological factors that may impact on the business and forms part of the external analysis or doing market research. It is a useful strategic tool for understanding market growth or decline, business position, potential and direction for your operations. (See template page 11)

Operational Plan

The operational plan details:

- How the service/product delivery will work
- How the activities will run and how long
- How the service will work and how records will be kept
- How much money will be needed - what for?
- Management structures
- Quality

Marketing Plan

How you will reach your market (i.e. your participants/users)

Sales and sales methods, competitors and how the business will compare to them.

Sales projections with monthly and seasonal trends

Financial Plan

Running costs, e.g. building / office costs, equipment, utility and telephone costs, legal, insurance and accounting costs, office furniture and supplies costs, people, etc., and what budget will be need.

Staffing levels and salaries along with costs of employment.

Financial forecasts, what revenues can be expected and when to expect them, what overheads and expenses will need to be paid and exactly when they will be due.

How the business will be financed.

Expansion plans, contingency exercises, risk assessments.

For further details on Financial Planning see Workbooks 4 & 5

Risk assessment

How to conduct a risk assessment www.hse.gov.uk/contact/faqs/riskassess

TEMPLATES and TOOLS

SWOT Template

You might find it useful to carry out a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis on your organisation to help you to get a broader understanding of where your organisation is in terms of developing your capacity. It would be advisable to involve a range of staff/volunteers in this process, as it will help you to get a more holistic picture of where you stand.

You will need to be clear at this point that you are willing to invest the time and resources necessary to make your business venture a success.

Think very carefully where the business STRENGTHS and WEAKNESSES are, remember if you don't identify a weakness an investor may do. Then look at what are the OPPORTUNITIES for business development & growth and what are the THREATS.

STRENGTHS	WEAKNESSES
OPPORTUNITIES	THREATS

Help notes

STRENGTHS AND WEAKNESSES

Look carefully at the business you are planning and be specific about each section of the SWOT as it refers to **you** and **your business**. The examples should give you some idea of the type of issues you may be looking at.

Strengths and weaknesses are issues that already exist, and tend to be internal to the business rather than wider issues from the outside world. Typical strengths and weaknesses are outlined below:

Strengths

First consider your own personal skills and experience that you are bringing to the business:

- Any relevant experience you may have, e.g. 5 years working in retail/with children.
- Any transferable or life skills such as being a good budgeter/time manager, etc.
- Skills that are directly related to the business such as design skills/customer service.
- Skills such as good management/marketing/finance skills.

Then think about specific strengths of the business idea itself:

- A particularly good location or other physical attribute/low overheads from working from home.
- You may have highly trained or well experienced staff/people on technical side.
- A clear and definite market to approach with your product.
- There may be interest in your products/service prior to setting up.

Weaknesses

Think carefully about any weaknesses that exist within your own skills base or the business idea as it stands. (Only list weaknesses that are directly relevant and will have an impact on your business)

Your personal weaknesses:

- You may be inexperienced at running your own business.
- Additional skills required such as financial/book keeping/marketing skills.
- Additional specific training may be required in your field e.g. hygiene certificate, driving licence etc.
- The business may require strong selling skills.

Weaknesses of the business idea:

- May need considerable funds to set up.
- Possibility of too much waste in your business operation.
- Working from home may require heavy marketing.

OPPORTUNITIES AND THREATS

Now that you have looked at the business' strengths and weaknesses - what are the external issues it will face, the **opportunities** and **threats** - what could happen?

As with the previous section, you will be recording many of the things you already know, based on your current knowledge of that area of business. Again, as your knowledge increases- especially after completing the market research- you may find this section needs to be adjusted and expanded.

Typical Opportunities and Threats:

Opportunities

The first point here is that you must consider there to be some opportunity or you wouldn't be here! If you don't, maybe you need to rethink your business idea.

- Fulfil some needs of customers which you know at this stage are not being met e.g. a delivery service to busy or housebound customers.
- Offer something different (compared to who you know to be probable competition) or something better e.g. sport activities for disabled young people.
- Possible changes in the business environment or market place e.g. closure of local youth services.
- Access certain support – if your business is in a regeneration area, for example, changes in the law which might affect your business operations, such as the need for DBS checks, Safeguarding policies.

Threats

While businesses have potential opportunities they can take advantage of, they also face threats, such as:

- Financial risk.
- Emerging competition using your ideas.
- Personal illness may affect running of the business.
- Technological advances making your equipment or methods outdated.
- Changes in the law which might affect your business operations or changes in the economy (recession etc.)
- Disagreements between directors.

ANALYSIS OF THE SWOT

Once you have completed your individual SWOT, it is important to use it. Weaknesses and threats once identified need to be dealt with. Although it is not always possible to deal with all eventualities, it is important at least to be prepared and have contingency plans in place for times when problems may occur.

The easiest way to do this is to produce an action plan, which looks at the weaknesses, and threats identified in the SWOT and, where possible identifies how to change these to strengths and opportunities.

Weakness & / or Threat	What action must be taken	When will this happen?

PEST Analysis Template

The PEST analysis helps you in reviewing your products and services by considering the environmental influences that affect the way in which they are delivered and developed. These influences vary from service to service over time. Using this technique at the start of a review can provide a useful overview of the current factors, and more importantly for achieving continuous improvement, future factors. Use the Factsheet provided in appendices.

<u>Political</u> <ul style="list-style-type: none">• New legislation• Relationships with other agencies	<u>Economic</u> <ul style="list-style-type: none">• Budget restrictions• Interest rates
<u>Social (and cultural)</u> <ul style="list-style-type: none">• Population and demographics	<u>Technological</u> <ul style="list-style-type: none">• IT strategy

And finally.....

Don't put the business plan on the shelf and forget about it.

Use it to make sure you are on track. Things will change, some of your ideas won't happen and new opportunities will come up unexpectedly.

Keep reviewing progress and make sure that what you do is in line with your objectives. It is too easy to chase new opportunities for the money and find out too late that there has been mission drift.