



Community Southwark

A Very Quick Guide to Writing a Business Plan



"It's not enough to just show up. You have to have a business plan."

Every voluntary and community organisation (no matter the size, legal structure or setting) can benefit from a written business plan which sets out the direction and planned performance of the organisation.

A business plan is a vital ingredient when preparing proposals for potential funders. It should be the first thing a group does before picking a legal form.

Why is business planning necessary?

The planning process gives managers, management boards and trustees the opportunity to stand back from their work, assess the achievements of the organisation and set objectives for the future performance and development. It allows them time to evaluate their working environment, assess themselves and others and review the economic factors affecting their organisation.

For most voluntary and community groups, planning increases efficiency and financial stability. Business planning can have more specific objectives such as:

- Helping management anticipate and respond to change
- Planning cash flow or raise funding
- Meeting the requirements of a parent or funding body
- Preparing the way ahead at the time of significant structural change, perhaps during management review
- Assisting a survival strategy, perhaps in the face of funding cuts
- Supporting the transition from public funding to independent status

The Starting Point

A logical starting point for the business planning process is to consider the overall strategy for the organisation. The strategic objectives represent the long-term aims for the organisation and its management board/trustees, covering both where the organisation wants to be and what steps need to be taken to get there.

Preparing the business plan is an opportunity to involve all interested parties. But remember, the strategic plan deals with the Vision, Mission, Priorities, and Outcomes and Impact aspects. The business plan shows how and when these will be implemented, marketed and funded. Who will lead on each area and the expected outputs.

Content

The content of a business plan needs to be tailored to suit its purpose. A plan for raising funding will, for example, have a strong emphasis on finance and cash flow.

A business plan should generally include:

Executive Summary

The executive summary is a punchy summary of the plan and should clearly state the purpose of the plan, for example to raise additional funding. It will be written after the whole plan has been written, although it will appear first on the page.

Brief Background

The background need not be detailed but should explain the history and development of the organisation and its objectives: context, external environment, location and timing

Objective and Goals

Tell the reader what the purpose of the organisation is (from the users' perspective), what problems it seeks to resolve and the targets you have for it. Include critical success factors and a plan b.

Sector Analysis and Organisational Approach

Sector analysis and organisational approach cover market research, organisational style, marketing position and promotion and management control. This section should begin with an appraisal of the sector in which the organisation operates and then deal with the organisation's approach to the specific issues identified.

- ❖ Market research information from external sources should be used wherever possible as opposed to internal perceptions and ideas
- ❖ Any approaches adopted by others should be analysed and evaluated together with any factors which differentiate the organisation's approach
- ❖ Any proposed major changes to existing operations should be supported by an explanation of how they can be achieved.

Activities and Services/ Your Offer

The activities and services should be summarised, including planned developments. A subject of growing importance is the environmental impact of the organisation and its activities. National standards e.g. IIP and quality measures are also important.

Describe the different products/services you will offer and the branding you will attach to these. How do these fit with your priorities?

Human Resources

The plan should include a review of the employees, including the management team:

- Remember that the management team are the key to success. If the plan is to raise funding, the quality and effectiveness of the management is often regarded by funders as the single most important factor in appraising any proposition.
- Any skills shortages or gaps in the team should be identified together with action to recruit or train
- Include a note of appraisal, training and development policy.

Financial Commentary and Projections

This section should cover projections of total funding requirement, spend and cash flow. It should include for comparative purposes the end results for the previous two years. The projections must flow from the rest of the plan. The following points should be noted:

- Detailed financial forecasts are difficult to absorb quickly

- Forecasts beyond the short term should not be over detailed, for example when looking two or three years ahead
- Clear assumptions should be made and these should be consistent with the rest of the plan. For example, if market research suggests a particular pattern of development, the same assumption should be used in financial projections
- If funding is required, reflect this in the projections. Make realistic assumptions of other funding sources
- Include sensitivity analysis to demonstrate how sensitive the figures are to changes in the key factors, for example a shortfall from another key funder.

Performance Review

The production of a business plan should enable any organisation to monitor and evaluate its performance with a view to introducing any required changes to its activities. The business plan is in this sense a working document.

Activities or projects included in a business plan should therefore:

- Have measurable outputs and outcomes
- Be within appropriate timescales
- Possess identifiable management responsibilities
- Be costed

Presentation

The general rules of presenting a business plan are:

- A business plan should be easy and interesting to read, so avoid excessive detail or length
- Insure the plan meets the needs of its users
- One person should write the plan to ensure consistency of style
- Although the executive summary is at the beginning of the plan, it should be written last
- Do not leave any apparent questions unanswered or state any unsupported conclusions

Questions you should consider when writing a business plan

1. Aims, objectives and personal aspirations

- What is your organisation's mission (overall aim/objects)?
- What are your personal aspirations in this project? (e.g. do you see yourself as receiving an income or will your input be voluntary?)

2. Activities

- What activities do you intend to provide? (state what, when and where and how many people you aim to reach)
- What borough/s do you want to provide these activities in?
- Who do you intend to provide those activities to? (who are the beneficiaries, e.g. young people, black and minority ethnic, people with learning difficulties?)
- How will you promote these activities?
- Who will provide those activities (full time or part time paid staff, sessional workers, volunteers)?
- What are the aims of these activities?
- What is unique about the activities you will offer?

3. Research

- What research have you done into similar services offered by other organisations?
- Who have you discussed your proposal with (e.g. council officers, people from other local voluntary organisations)?

- How will you monitor and evaluate the outcomes of these activities? (e.g. what benefits will beneficiaries gain)

4. The people involved

- How many people are involved on your board/management committee?
- What experience and skills do you and the people involved on your board/management committee have of this area of work?
- What experience and skills gaps need addressing with regard to yourself and the people involved on your board/management committee?
- What experience do the people involved have of managerial work and/or running a small business and/or of being on the board of a charity or voluntary organisation?

5. Legal form

- Do you have a governing document (constitution)? If your organisation has registered as a company and/or a charity, please provide registration numbers. Please note that it is inadvisable to rush into setting up a company without having fully considered answers to this list of questions. Company formation agencies and many solicitors are often very inexperienced at advising voluntary and community organisations. They will also charge for their services.

6. Funding

- How much funding will you require in the first year (provide a budget if available)?
- How much funding will you require over the first three years (provide a budget if available)?
- Who will you approach for funding?
- Will any of the funding be self-generated (e.g. will you charge for entrance)?
- What sources of funding are you considering? (Corporate funding, grant funding, donations, statutory funding, trading etc...)

Content

The content of a business plan needs to be tailored to suit its purpose and your organisation; therefore, templates are not always the best route to take. If you do use a template, make sure you tailor it to your organisation.

However, a business plan should generally include:

- **Summary or Executive Summary:** Summary of whole plan. This will be written last.

The executive summary is a short punchy summary of the plan and should clearly state the purpose of the plan, for example to raise additional funding.

- **Business Overview:** introduction; Track record: current position; identified need for service/s: competitive advantage; growth plan

Should include Track record; current position; identified need for service/s; competitive advantage; growth plan; any current or potential partners. The background need not be detailed but should explain the history and development of the organisation and its objectives.

- **Business Strategy:** tactics; PEST; strategic issues; core values

This section should begin with an appraisal of the sector in which the organisation operates and then deal with the organisation's approach to the specific issues identified:

- market research information from external sources should be used wherever possible as opposed to internal perceptions and ideas;
- any approaches adopted by others should be analysed and evaluated together with any factors which differentiate the organisation's approach;

- any proposed major changes to existing operations should be supported by an explanation of how they can be achieved.

The activities and services should be summarised, including planned developments. A subject of growing importance is the environmental impact of the organisation and its activities. National standards e.g. IIP and quality measures are also important

➤ **Risk Analysis:** what if scenarios and mitigation

This section should briefly show the key risks identified and how they will be managed and/or mitigated, based on risk assessment undertaken by the team/organisation.

This might include how a lack of numbers attending the service or an over-demand for the service will be dealt with by staff.

➤ **Marketing:** SWOT and critical success factors; market research; distribution channels; strategic alliances; E-commerce and technology; tactical promotional plan; marketing budget; credibility and risk reduction.

This section looks at identifying who the 'customer(s)' is/are and how you will engage with them regarding your service/product.

It is useful to identify some or all of the following:

- Product - goods, services or ideas;
- Price – price, discounts, allowances, credit;
- Promotion - advertising, personal selling, sales promotion, public relations, coalition building, working through/with customer referral;
- Place - distributors, retailers, locations;
- People - personnel (training, commitment, incentives, appearance, behaviour and attitudes), customers (behaviour, involvement, interaction);
- Physical evidence - furnishings, colour, layout and noise;
- Process - policies, procedures, systems, customer involvement, flow of activities;
- Philosophy - The philosophy that:
 - a) underpins the charity as a whole and
 - b) to be applied to the specific product

➤ **Team and Management Structure:** skills; experience, training and recruitment; advisors; management systems

The plan should include a review of the employees, including the management team;

- any skills shortages or gaps in the team should be identified together with action to recruit or train;
- include a note of appraisal, training and development policy.

If the plan is to raise funding, the quality and effectiveness of management is often regarded by funders as the single most important factor in appraising any proposition.

➤ **Sustainability Strategy:** Especially if for funding, how will the project be sustained?

How will you build up your business to become sustainable and making a profit? How will you ensure you have the resources to meet demand and how will you build up year on year?

➤ **Work plan**

performance with a view to introducing any required changes to its activities. The business plan is in this sense a working document.

Activities or projects included in a business plan should therefore:

- have measurable outputs, milestones and outcomes;
- be within appropriate timescales;
- possess identifiable management responsibilities;
- be costed.

Over time an outcomes framework should be developed to help evidence what works and what doesn't etc.

It is important to know when funding will come to an end and how the organisation will sustain the project activities after that (fundraising strategy).

Develop an exit and a sustainability plan for what should happen to project outputs at the end of the project, and to explore which ones should be sustained further and how. Some project outputs will be archived at the end of the project, some will live on after the project ends (e.g. website content hosted by a service) and others may be taken up and transformed

Example of work plan: (I found this way the most succinct otherwise you need another column for 'outcomes' – which should actually match each of the points on the 'strategic aims' column anyway....)

A table which has headings **along the top** for:

Strategic Aim/Outcomes

Project description/tasks

Outputs/deliverables

Start and end dates

Resources required

➤ **Monitoring and Evaluation**

This will detail outputs and outcomes – or could just describe processes to monitor and evaluate work on each strategic aim.

➤ **Financial Budgets and Forecasts:** profit and loss forecast; cash flow forecast; balance sheet forecast; capital expenditure budget; break-even analysis

This section should cover projections of total funding requirement, spend and cash flow. It should include for comparative purposes the end results for the previous two years. The projections must flow from the rest of the plan. The following points should be noted:

- detailed financial forecasts are difficult to absorb quickly;
- forecasts beyond the short term should not be over detailed, for example when looking two or three years ahead;
- clear assumptions should be made and these should be consistent with the rest of the plan; For example, if market research suggests a particular pattern of development, the same assumption should be used in the financial projections;
- if funding is required, reflect this in the projections. Make realistic assumptions of other funding sources;
- include sensitivity analysis to demonstrate how sensitive the figures are to changes in the key factors, for example a shortfall from another key funder.

➤ **Financial appraisal**

Best and worst case scenarios – e.g. what is the lowest level of income that enables a service to be provided and would scale of service could be provided if the organisation's income-generation goals were to be achieved.

➤ **Concluding remarks**

Statements which draw all of the above together eg the organisation's USP and why it should be funded, and its vision for its future work.

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Support

If you would like any support with starting up, strategic or business planning or any other issues facing your organisation, please contact the Development Team at Community Southwark:

development@communitysouthwark.org or 020 7358 7020

Resources

- Tools for tomorrow: a practical guide for strategic planning for voluntary organisations
NCVO
- A business planning guide to developing a social enterprise
http://socialenterprisefund.ca/wp-content/uploads/2010/01/New_BusPlanGuide.pdf
- How to develop mission statements that have impact,
<http://www.knowhownonprofit.org/how-to/how-to-develop-mission-statements-that-have-impact/?searchterm=None>
- Writing a small charity business plan: <https://www.smallcharitysupport.uk/8%20-%20BusinessPlan.pdf>