

Information Sheet: Business Plan – Guidance Notes

A business plan is a picture of your longer-term objectives, estimates and forecasts. It should not be something that ties you down but rather something that helps you make decisions. Your forecasts and objectives are likely to change as things develop and your business plan is where you get down your best estimate given the current state of information.

It is very tempting to be diverted from making long-term plans by immediate urgencies but setting aside the time to think about and write down your plans helps clarify your aims and reveal where you need to concentrate your efforts.

Enterprises use plans in two main ways: firstly to help you to track progress and provide guidance for decision-making and secondly to help you raise money. From a funder's perspective your plan will need to demonstrate that their investment of money will have a significant impact, that there is a good market for your product or service and that you are able to manage the enterprise. In order to do this, you must bring out what is exciting about the enterprise, combined with a thoroughly prepared presentation of the back-up figures and research. It is quite possible that you will want to have different versions of your plan available – one for yourselves and others for funders or external partners.

An effective business plan is one that management are familiar with and fully support. It is therefore important that as many people as possible who will be involved in implementing the plan should contribute to its creation. It should be referred to regularly as well as being kept under review, so that it can be updated to take account of changing circumstances.

It is up to you to order your plan in the most appropriate way to suit the story of your enterprise. The headings and subheadings below are guidelines. They can be added to, taken away from, separated out or rolled together. The trick is to “unfold” the story as if the reader knows nothing. Try to make each section freestanding and self-explanatory.

1. Executive Summary

This is an overall summary of your plan. Ideally it should be around one page long. It should give a reader a general feel for your organisation – overall objectives, brief description of activities, services or products, what resources are required and where they will come from and who will benefit. It should make them want to read more. Write this bit last!

2. Background

- History
 - Why and how was your organisation established?
 - Are there any key achievements that you can mention to date?
- Rationale
 - What are the social and economic circumstances that make it a good idea for your organisation to exist?

3. Aims and Objectives

This section communicates what you would like the main impacts of your enterprise to be.

- **Vision**

A vision statement describes your enterprise's view of the desired future situation for the enterprise's users and for the world at large. It expresses a view of what the enterprise ultimately wants to achieve, knowing that it is unlikely to achieve it on its own. A typical start to a vision statement is "We want to live in a society in which...".

e.g. RNIB: Our vision is of a world where people who are blind or partially sighted enjoy the same rights, responsibilities, opportunities and quality of life as people who are sighted.

- **Mission**

A mission statement describes the fundamental purpose of your enterprise. It answers the question "What does the enterprise exist for?" and shows how it will help create the society it describes in the vision statement. Missions are unlikely to change very often.

e.g. The Asian Arts Agency is dedicated to raising the profile of Asian Arts across the Bristol area and into the Southwest region. We aim to build and secure a place for Asian Arts within mainstream arts activity across Bristol and further afield.

- **Values**

Your values express the underlying beliefs that your enterprise holds. These are what guide board members and staff when they are establishing policies and making decisions. Values statements usually start "we believe/ or we value..."

Arts Factory:

We believe that everyone, regardless of any label, has the right to :

- *self respect*
- *learn & develop*
- *live in a decent environment*

- *contribute to their community*

We believe in the power of :

- *ground-up collective action*

- *mutuality*

- *teamwork*

- *positive attitudes*

- **Aims and Strategic Objectives**

These are statements about what the enterprise wants to achieve in a given timeframe. Achieving them will help you to meet your mission. Try to keep to around 5-7 strategic objectives.

Try to identify both business and social objectives. Business objectives focus on how the organisation will make money, the social on how it will use that money to make a positive difference.

These objectives are generally best set in collaboration and should be reviewed periodically. Make sure that they reflect your top priorities and are specific, measurable, achievable, realistic and time-bound (“SMART”):

- **Specific** - e.g. To support people affected by drugs and alcohol misuse in X area.
- **Measurable** - whatever your objective is, you need to be able to check whether you have reached it or not.
- **Achievable** - while you should set targets that stretch you, there is no point in being too ambitious.
- **Realistic** - you must have the resources you need to achieve the target. The key resources are usually people and money.
- **Time-bound** - you should set a deadline for achieving the targets. For most strategic targets in a business plan this will reflect the period of your business plan.

It is particularly important to be able to demonstrate the outcomes and impact of your work. It is worth working out how you will demonstrate that you have achieved your aims. Ensuring that they are measurable and realistic will help with this.

4. **Governance**

- Legal structure
 - Describe your current legal status (if relevant) and when it was set up. If you plan to change the legal status of the enterprise include this. You can also include your registered address.
- Governance
 - Give a brief description of who is on your board and how they are representative of your community or what skills they bring.
 - If you have got a written constitution or memorandum and articles of association these can be added in an appendix.

- Membership
 - Describe who is eligible for membership and what membership entitles them to.
 - Say how many members you currently have.

5. Products, Activities and Services

- Describe what is being offered.
 - What you make or sell or the services you provide.
 - How you deliver it.
- Describe how this will develop in the future.
 - Include a timetable or flow chart to make it easily understandable.
- Describe what the benefits or outputs will be.
 - You can choose which aspects of your enterprise to highlight here depending on who is looking at the plan.

6. Market Assessment - The Market, Competition and Marketing

This section confirms the need for the enterprise and supports the figures in the Finance section.

- **Summary of market research**
 - Explain how you have researched your market and what the results were (e.g. desk research – looking at statistics, trends, surveys, directories and other sources of information (identify your sources) or field research – researching potential customers, observing competitor activity).
 - You should be able to say how many people or organisations you think will use your service/buy your products, how often and how much they will be prepared to pay
 - Describe any further research that you are planning to undertake
- **Summary of any community consultation**
 - Summarise any completed, planned or ongoing consultation you are doing.
 - Put a copy of any reports/questionnaires in an appendix.
 - Describe anything else you plan to do to ensure continuing understanding and support from the community.
- **Feasibility study**
 - Summarise the findings of any feasibility studies or pilots you have run.
- **Customer and service users profile**
 - Describe who will want to or who already buys your products or uses your services. If they fall into natural groups, identify these.

- Include details of any customer groups you intend to target.
- **Suppliers and partners**
 - Do you have any support from or links to any other organisations?
 - Mention any contracts or agreements you have in place including professional advisers or consultants that you use.
- **Competitors**
 - Who else is providing the same or similar products/services?
 - What are their strengths and weaknesses?
 - Describe how what you do is different and why people should choose your enterprise over other providers.
- **Tool 1: PESTLE analysis**

This helps you analyse and show how external factors might impact on your enterprise. Recognising them will help you to manage the risk they may pose.

Political	Local and national issues of relevance.
Economic	What is happening in the general economic environment or in the local economy that will have a considerable effect on your ability to make the most of your enterprise?
Social	What current and potential future factors in the social mix of your community are relevant?
Technological	Information and communication technology is a key element here by there may be other specific technological issues of relevance to your enterprise.
Legal	Are there any current or future legislative or regulatory issues that might have an impact on your operation?
Environmental/ethical	Are there any issues of relevance here that you consider important to get right?

- **Tool 2: Analysis of strengths, weaknesses, opportunities, threats (SWOT)**

The external environment (the area and businesses/community) around you will constantly change. External influences, over which you have little or no control can make or break your success. The best you can do is to identify opportunities to exploit (e.g. a gap in the market) and identify and plan to deal with threats (e.g. changes in funding or legislation).

List the main internal strengths and weaknesses of your enterprise. Also set out here the opportunities and threats you face from outside. Having identified these, your plan will set out actions that will both protect you from the worst and profit from the best. Try to focus only on the main issues - those that will be critical to your security and success.

NB It is useful to update your SWOT analysis on a regular basis – at least once a year.

- **Marketing**

This section describes how and where you sell your products/services (or plan to in the future). Many enterprises describe this in terms of the 4 P's (products, price, place and promotion) that you are using to deliver benefits to your customers and community.

Product	What your product or service is, how you will deliver it and how it meets the needs of customers.
Pricing	How you have decided on what to charge for your products or services (e.g. to match the competition, or charge a higher price to certain groups or for different quality products).
Place	How and where you will make your products and services available to potential customers. This may include using different ways of distributing your products or delivering your service (e.g. you might sell through another organisation).
Promotion	How you reach your existing customers and potential new customers (e.g. advertising in local magazines or in local venues).

7. **Organisation**

- Staffing (paid staff and volunteers)
 - Include an organisation chart showing reporting relationships. If relevant, show the current situation and how you plan that it will look in the future.
 - Describe why as a team you have the experience, ability and commitment to make a success of the enterprise. Include any relevant training or qualifications that you have or plans to undertake further training.
- Premises/location
 - Describe the premises with details of size and any future changes that will be needed
 - Bear in mind planning/building regulations, leasing, rental, fixtures and fittings, types of licences required, environmental / health and safety regulations, costs, access and security.
- Any other facilities or equipment
 - Describe both what you have already got and what you need.
- Internal policies

Summarise any policies that you have adopted or intend to adopt that are particularly relevant to your enterprise (e.g. environmental, equal opportunities)
- Evaluation and review

Describe how you plan to evaluate your products or services. This might involve asking customers to give you feedback about your enterprise or comparing the amount of effort you have put into achieving results. Describe also how this information will help you review what you are doing. Reviewing progress will help you learn from mistakes and help you to develop more realistic plans in the future.

8. Finance

This section demonstrates the financial viability of your enterprise. It will outline current financing and future finance needed.

The first thing to do is decide which financial statements you need. If you include too much financial information you may overwhelm or scare off the reader and if you include too little, you run the risk of raising more questions than you can answer.

It is a good idea to consult with potential funders, lenders and investors to see what numbers they expect to see:

Core financial Statements:

I. Balance Sheet

What is it?

A balance sheet is a view of the value of assets and liabilities of a business at a specific date. It gives an idea of the financial health of the business.

If you are starting up a business you don't always need to include a balance sheet, however, some funders may require a projected balance sheet. If you are an existing business hoping to get funding, presenting a balance sheet in the business plan is essential.

What does it include?

Fixed Assets or tangible assets: things such as property, machinery, vehicles, office equipment.

Current assets: these form part of your trading activity and are stock, debtors.

Current liabilities: these also form part of your trading activities and include items such as trade creditors, taxes and bank overdrafts, any amount due to be paid within the next 12 months from the date of the balance sheet.

Net Current assets: the difference between current assets and current liabilities.

Net assets: sum of fixed assets + net current assets.

Long- term loans: debt that is repayable more than one year from the date of the balance sheet.

Reserves: Taken from (net profit/loss) on the Profit & Loss account

Total balance: Long term loans + reserves.

II. Income statement or profit & loss

What is it?

A statement of income and expenditure over a period of time, providing a calculation of either a profit or loss.

What does it include?

Under Income:

Sales: invoiced value of sales in that period

Any other income that has come into the business, such as grants.

Cost of sales include:

Stock

Purchases & other direct costs, such as raw materials

Gross Profit: the difference between sales and cost of sales, before considering overheads.

Operating expenses or overheads: salaries, motor expenses, rent, depreciation, administration costs

Net profit/loss: gross profit – overheads.

III. Projected cash flow

What is it?

A cash flow explains the movement in cash balances or bank overdrafts from one accounting period to the next. It uses figures from the balance sheet and profit & loss, linking the two together.

What does it include?

Income:

Sales

Grants and loans

Expenditure:

Variable costs: e.g. a painter might put paint here

Fixed costs: salaries, rent, utilities, vehicle costs, interest on any loans etc

Net cash flow: Total income minus total expenditure

Opening balance: Previous month's closing balance

Closing balance: Opening balance minus Net cash flow.

Interpreting figures:

These show how an organisation's cash position has changed over an accounting period. They can help management identify problems or issues and show reasons for these. This can help management in looking at solutions in dealing with these issues.

Example:

If an organisation has a sharp increase in borrowings, the cash flow can help to indicate whether this is the result of poor trading or an increase in the amount of time taken for debtors to pay, or whether prices of raw materials have significantly increased, leading to management looking for new suppliers or re-negotiating with existing ones.

Doing a cash flow statement over a whole year can also help you identify when you may need to approach the bank for an overdraft, or apply for a loan.

You can also include:

- Income strategy (earned and funding)
 - Explain in detail how much income you expect to get over the coming 12 months and in less detail your projections for the following 2 years.
 - Identify your actual or proposed funding sources, include any of your own funds used and note any discussion you have already had with potential funders.
- Financial resources needed
 - Separate out start up costs (e.g. equipment, materials, stock, services) that you need to get the enterprise running; and
 - Ongoing costs – utilities, fuel, insurance, rent, telephone

Remember, if you are starting a new business your financial statements will be based on assumptions. Try to make your figures as accurate as possible by making sure you research costs and that the income you hope to generate is supported by market research.

9. Risk Assessment

You should plan an honest assessment of the risks involved, as well as how you can minimise them. Possible risks to the business that you may need to think about include:

<ul style="list-style-type: none">• Lack of Management experience• No trading history• Economic uncertainties• Reliance on key staff• Reliance on a few suppliers	<ul style="list-style-type: none">• Reliance on small customer base• Bad customer debts• Increased competition• Security and insurance against burglary & loss
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10. Action Plan

It is often helpful to add an additional layer of explanation to show how you will meet your objectives. You might like to add in details of what resources you will need, who the task is delegated to and when the action will be completed by.

An action plan is a kind of operational plan and it can include more detailed targets that can be measured over a shorter time period.

This plan might not be appropriate or necessary for all audiences and so consider putting this in an appendix or detaching it for certain audiences.

Two templates for action planning can be downloaded from <http://www.c3partnership.org/toolkit/action-plan/action-planning-tools/>