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CONTENTS OF A BUSINESS PLAN; WHAT MAKES A GOOD BUSINESS PLAN

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WRITING A BUSINESS PLAN

At this stage, you have the idea for a business and have thought a little about how it might actually operate. Now you have to describe the business in much more detail and be able to show that it is feasible and properly planned. You will have to write the business plan.

The **business plan** is a planning tool. It is written for a purpose and describes an actual or intended organisation, what the organisation is trying to achieve or become and how it will achieve its objectives, including both timing and how tasks will be allocated.

What Do We Use A Business Plan For?

Drawing up a business plan helps an organisation to:

- Control finance, to get a realistic idea of the financial implications of a business idea and future finance needs;
- Establish objectives, especially directions for the future;
- Set targets, which can encourage better-directed and purposeful work;
- Define actions, priorities and the timetable for actions;
- Analyse performance, and correct weaknesses;
- Assess needs, in terms of human and other resources;

- Test assumptions, especially if the idea is realistic;
- Identify strengths and weaknesses.

A business plan has two purposes: firstly, to bring in extra resources; and secondly, to help us manage resources better.

It is designed therefore to influence the **external environment** and the **internal environment**. It is both outward-looking and inward-looking. A business plan is used to review the operations of an organisation, to draw up a list of necessary changes in a coherent and easily understood form, and to get the agreement and support of everybody required to bring about or live with those changes.

Proving The Feasibility /Making The Case

At the 'ideas stage' you probably chose the most feasible idea. Now you have to prove exactly how viable the business will be. This is the most important part of the business plan. The first stages of any feasibility study are straightforward and common-sense. It is only later that you may need to bring in the experts.

You need to look in more detail at the following questions:

Can it be done? If the answer to this is 'no' then you have to find another idea.

Will it sell? This question is also crucial as if there are not enough people your business will not be viable.

Will it pay? If the business does not pay enough, then your 'outgoings' will be more than your 'in-comings' and the business will fold.

Can you get all the resources? If not, you are going to be in difficulties and perhaps you have to think again.

The heart of the business plan is you describing your product or service, explaining how you will make and sell it, what it is going to take to do this and describing both the resources you have and the resources you will need to make it happen. **Can you do this?**

Ensuring It Will Pay

Work out how much it will cost you over one or two years to provide a service or make your product. Include everything that will cost the business money i.e. raw materials, wages, administration costs, rent, rates, insurance, heating, lighting, maintenance, postage, stationery, telephone, travel, advertising, professional's fees, bank charges, fixtures and fittings, plant and machinery, vehicles and staff training.

Can the number of products you plan to produce be sold at a price to meet these costs and make a profit?

Will customers buy your services often enough to cover your costs and what price will they have to pay?

Calculating the costs is not complicated - but it can be disappointing to discover that there is no way you can do what you want to do at the right price and be viable. Too often the idea is possible, the market is there, but the sums just don't add up.

Writing The Business Plan

The business plan is the document at the centre of your enterprise. It states what you intend to do, how and when you will do it, how much it will cost and how to fund it and keep it going. In looking in more detail at the feasibility of your idea you have now got nearly all the information to bring together into a business plan. Its first function is to demonstrate the potential viability of your idea to possible backers. Its second function is to give you a model plan for the development of your business and a model against which you can compare what actually happens.

Presentation

The presentation of a business plan is very important as it will be read and assessed by possible funders.

Leave nothing to chance and make sure that you make good use of photographs, graphics, tables, etc.

Be as meticulous as possible in writing the plan on a computer and make sure it all hangs together in a nicely presented form.

It is a good idea to try to get hold of other successful business plans to give you an idea of what is required.

Also enterprise agencies should be able to give you advice on the plan, its contents and possible ways of presenting information.

SOCIAL ENTERPRISE BUSINESS PLAN GUIDE

1 : Basic Information

Name of the business or organisation;
What stage are you up to?

What is the business selling or producing?

What money or other resources do you
need to start the business?

What do you hope to achieve?

2 : People Involved

Names, abilities, qualifications,
experience of people involved

How will your business be managed?

Describe the jobs involved running your
business and the skills required

Will people need training? What training
do you need?

3 : The Product Or Service

Describe in detail what you plan
to make/sell

What research have you done?

Do you plan to develop your
product/service?

How well does your planned
product/service fit the market?

4 : Marketing

Customers : location, age, spending habits
and buying power

What are the trends in the market?

What share of the market will you need?

Who are your target customers
(those buying often)?

Who are your main competitors?

Does the way you plan to price your
product fit the market?

How will you prevent or deal
with complaints?

5 : Production/Delivering Your Service

Premises needed, their layout and
their suitability for producing/delivering
the service

Machinery, equipment, fixtures and
tools required

Suppliers, their terms and the availability
of alternatives

Sub-contracting (if any)

Stock and quality control

6 : Legal Issues

Legal status of the business or organisation

Licences, permits, agreements needed,
leases on premises

Ownership of assets, patents,
commercial information

7 : Financial Issues

Prices and basic costs

Budgets or projections of your costs:
labour, materials, overheads

Cash-flow forecasts; When will you break
-even? When will you start to be profitable?

How profitable is the business? How large
will your mark-up be?

How much money will you need - grant,
loan or overdraft?

8 : Other Information

Research findings, other information,
CVs of key personnel

Publicity materials or photographs

Premises plans/layout

CONSTRUCTING A BUSINESS PLAN EXERCISE

This is a simple exercise about planning to draw up a business plan. Participants must decide about the contents of the business plan, its structure and then allocate resources to it.

The Business

The Wood 'N' Tops furniture workshop provides work experience and training to people in joinery and carpentry skills, repairing and refurbishing old furniture with items sold or repaired for the cost of materials. Refurbished furniture has been given away on a 'first come, first served' basis. The local council is now insisting the furniture project become self-financing and it has been decided to draw up a business plan for a financially self-sustaining business.

A business plan consists of the following:

- Basic information
- The people involved
- The product or service
- Marketing information
- Operational information
- Legal, governance and management
- Financial information
- Other information

Exercise 1

A funder has told you that they will consider a business plan from the group so long as it is not more than 5,000 words long. Assign a number of words to each part of the business plan.

Exercise 2

The group has 45 'person-days' to devote to drawing up a business plan. Look at the information you have. Then for each section assign a number of person-days which will enable the group to: **a)** gather more information, **b)** undertake analysis and **c)** prepare the information.

Exercise 3

Using the information presented overleaf, assign one part of the business plan to each member of the group. That person should write not less than 100 and not more than 300 words on the topic and present the information to the group. If they don't have the information they need, they should list the things they don't know and which the group will need to research before they can complete the plan.

Answers can be found in the appendix on pages 413 and 414

The Business

Wood 'N' Tops is situated in the middle of a depressed overspill estate. The main town, Shiverton, is three miles away but a busy main road passes along the estate. There are many families with young children and an old people's home but people do not have a lot of money.

The workshop has the necessary equipment to make bookshelves, coffee tables, bedside cabinets, cots, bunk beds, office desks, wardrobes, dressers, TV cabinets and picnic tables. It does not have the equipment (a bandsaw) to make toys or sofas. A second-hand bandsaw would cost £800.

The workshop could sell sofas and picnic tables wholesale and all the rest retail.

It is anticipated that the showroom would be visited by 600 people per week of which 60 would purchase something.

The following are the direct unit costs of the products: bookshelf £10; coffee table £8; cabinet £8; cot £15; bunk bed £50; office desk £45; wardrobe £12; dresser £15; TV cabinet £18; picnic table £40; toy £3; sofa £70.

The following are the person hours to make each item: bookshelf = 3 hours; coffee table = 5 hours; cabinet = 6 hours; cot = 10 hours; bunk bed = 12 hours; office desk = 10 hours; wardrobe = 5 hours; dresser = 6 hours; TV cabinet = 4 hours; picnic table = 7 hours; toy = 1 hour; sofa = 15 hours.

The current time being worked in the workshop is 100 person-hours. The maximum capacity is 240 person-hours.

The following quotes for fitting out the showroom have been received: new floorboards £80; wiring £300; glazing £120; painting £100; carpets £250; laying carpets £50; making and fitting shelf units £180; painting sign £90; plastering £160; constructing office £250.

There is a Steering Committee consisting of Jack Haycox (Chair), Deirdre (Secretary), Frank (Group Member), Susie (Group Member), Brian (Group Member).

The workshop has a health and safety policy written in 1990, an equal opportunities policy adopted in 1995 and insurance is provided by the Council.