

How to write a Business Plan

Why write a Business Plan?

There are two audiences for your business plan - external and internal. You will need to address an external audience if you are asking for loans or grants, and the funder needs to be convinced that your plan is workable. This is the usual reason for writing a business plan, but the internal audience is very nearly as important.

A business plan can give you very useful information as to whether your business idea is viable. It can help you to clarify your goals and your shared values, and it helps you to anticipate problems that may come along. It also gives you a yardstick by which you can measure your progress. It may also be useful information for anyone thinking of joining.

The Process

It is crucial that the business plan is the shared goal of the organisation - not just one person's idea. Although it may be necessary to delegate the drafting, consultation should involve everyone at some stage. The process of collecting ideas, through brainstorming, visioning, consensus building and questionnaires should begin right away - before the first draft. Only that way can you be sure that everyone will see something of themselves in the finished product. As well as full members, are there volunteers, probationary members or supporters whose ideas you could include?

However, the process will need a co-ordinator to pull all these threads together, and monitor progress. Very often, the business plan is what the whole organisation is waiting on. It is very important that the process is not allowed to flag. Allocate responsibility clearly; set firm (but realistic) deadlines for contributions. In a sense, you need to have in your head a plan for the plan: consultation for so long, first draft circulated on such a date, redrafting to take place whenever. Finally, there will need to be a clear point of decision when everyone has the document in front of them and consents to it being adopted.

Once it has been adopted, it will need to be modified in the light of changing circumstances, re-evaluated and revised. There should be a clear understanding of when this will happen when it is adopted - conflict can arise if some people believe it is set in stone where others think it is a convenient fiction for one-off use.

What the Business Plan should include

Aims

This is a statement of what your organisation is about. This is general, talking about your values and ideals, but also connected to the real world. What are the needs, and the community, that you serve?

Objectives

This is what you do in order to meet your aims. They are tangible, achievable targets that you are working towards. As your enterprise develops, you may achieve your objectives and you will

need to adopt new ones; but unless your philosophy changes, your aims will remain the same.

History and Context

This puts the background in which explains where you are coming from. It will include general information about the area you are operating in, such as geographical, demographic, or political information. If other organisations have been involved in bringing the project about, this would be the place to mention them. If your organisation has been in existence a while, it is worth including a brief history, with emphasis on your achievements.

Personnel

For many readers - particularly those who know co-ops - this is the section that will be studied with the most interest. Who are the real people behind the company name and image? You should certainly list the present personnel, and if it is a new project it is their skills and their experience that will be the basis for this. Do they have the experience, the skills and the will to make the project succeed? How long have they been involved for? Highlight any elements of team spirit binding them together - how do their combined skills and experiences provide the necessary ingredients to full the project off? This is your opportunity to catalogue the things you have rather than those you are waiting for, and you should make the most of your talents and backgrounds. Avoid exaggerations that you can't live up to later, and don't be shy to provide all the relevant facts - just present them in a constructive, positive way.

Also, think a bit about whether you may want to recruit new members in the future - maybe to expand, but it might also be to replace an existing member who is unexpectedly leaving. Where will you advertise? How much will it cost to recruit and train them? Do you have an equal opportunities policy?

Current Activities

If you are a new group this may not apply (unless the members had been meeting similar needs in other ways). If you are an existing group, this will be a summary of the projects that you have underway right now, the services you are providing, and the present level of operations. You should link these in to your aims and objectives, and set the scene so that it is clear how the new projects contained in the business plan will logically build on your present activities.

Development Plan

This is the part where you say what is happening in the business plan that is new, or that you are seeking to fund. You should be clear and brief, but you should ensure that a full picture of the new service comes across clearly. Don't start listing every idea that you have had if it doesn't actually feature in the plan or affect the finance you are looking for. Be focused, and talk about the things that you definitely intend to do.

SWOT Analysis

Although optional, this is increasingly expected. It is intended to encourage you to be realistic and imaginative about where you

are at and where you might get to. The four parts are:

Strengths - what are the assets that you have in terms of people, resources, skills or property?

Weaknesses - what do you lack, compared to others in the field or relative to the need to be met?

Opportunities - what is there in your environment that presents openings or benefits to you?

Threats - what do you see around that might impede your project and get in the way?

This is an excellent subject for a brainstorm in your group - it works best when people are able to open up their imaginations, and be both optimistic and pessimistic at the same time.

PESTLE Analysis

This is another way of breaking down the situation you are in, and looking for the main chances. PESTLE is an acronym for political, economic, social, technological, legal and environmental. For each of these six categories, think about the changing world around you, and how it will affect your business.

Market Analysis

This is not optional. This is where you explain why you believe there is a demand for the service you are offering. What else is around? What is different about your product? What past experience have you had of this market? Who are your likely audience? What makes you think they exist in sufficient numbers? You don't have to have gone out door to door questioning people, but you do have to show that you have thought carefully about who will take up your service.

Marketing

Once you know your audience/customers are out there, you still have to reach them. What form of advertising will you use, and type of communication, and how will you ensure that you reach everyone in your target audience (this is a good place to think about equal opportunities). Be practical and imaginative!

Operations

This is about the internal structure of your organisation. You should state your legal status, what committees or bodies exist, where and how decisions are taken, and how new members join. What divisions of labour are there - what posts and what titles? You should include job descriptions for any new posts.

This is also about the physical resources you have or need - the tools you work with, and the environment you work from. Where are you based, or where will you be based? How do you store information and records (if that is an important part of your work)? How do you resolve disputes, and what are the procedures for appeal and redress? What are your policies regarding equal opportunities, health and safety and other forms of protection for your members?

Action Plan

This should show a co-ordinated programme of goals and timescales, so that you can see what needs to be done by when. Break down tasks as far as reasonably possible into separate stages, and make sure that it all comes in the right order without bottlenecks or holdups. Clearly indicate any 'milestones' - events that constitute turning points or significant achievements.

Terms of Finance

Where you are looking for any sort of outside funding or resources, you need to state clearly what the conditions are that you're looking for. What interest, what repayments, what security and guarantees?

Holiday and Sickness Cover

This is very easy to miss out, but will prove absolutely crucial once you are trading. You will need holidays, otherwise your members will burn out; and you must be sure that if you are struck by illness - mild or serious - it does not bring the whole co-op down. Make some rough estimates of the time and money that will be lost, and set aside a budget to cover it.

Evaluation and Monitoring

How will you know if you have achieved your aims? You will want some fairly tangible targets, and mechanisms for monitoring. It is no excuse to say 'you can't measure the good we hope to achieve' - after all, if you can't measure it, why should anyone believe you have done it? Every organisation needs good feedback to celebrate achievements and remedy failings.

The Accounts

You will be expected to provide some well laid out financial information to back up all this text. You can lay this out by hand, but a computer running a simple spreadsheet programme will make your task massively easier. If you don't know how to use such programmes, make a priority of getting some advice.

Past accounts

If you have accounts for past financial years, ideally audited by someone outside the organisation, it is well worth including them. They establish your track record.

Budget

This is the breakdown of all the expenditure and income that comes at the beginning of your project. Make a comprehensive list of all the things you will need, such as equipment, advertising, furniture, properties and improvements and total its value. Compare that with the money coming in from various sources - are you definitely going to raise enough money to get started?

Cost Analysis

Now examine a typical month in the life of your project when it is up and running. What are the regular sources of income, and how do they compare with ongoing expenditure (don't forget NI and pension contributions, sickness cover, insurance, training, rates, maintenance, volunteers expenses, legal fees, recruitment costs...). You should be looking for a comfortable surplus of income over expenditure (around 10%, usually). Are you going to make money on the project? If you are providing housing, it is usual to allow for an imaginary expenditure on 'voids', meaning a loss of income through rooms being empty. You might set this at around 5% of rental income.

Cash Flow

The cash flow takes the different flows of money and tries to predict when they will happen, so that a month by month picture of the organisation's bank balance emerges for the first year of operation. As you do this, you will find that income often comes in too late to meet expenditure, or that the cycles do not mesh very well, and that this leads to cash flow problems. Possible remedies: overdrafts, raising more finance, deferring payments, demanding income in advance. Are you going to keep going through the difficult times?

Profit and Loss

This is only necessary for any enterprise with significant amounts of capital goods (tools, computers, machinery, stock) that lose value over time (as opposed to buildings, which generally don't if they are reasonably well looked after). A typical rate of depreciation is 25% of the value of your assets over a year. Add this on to your surplus for each period, and you can say whether the value of your enterprise is rising or falling over time.