

Introduction To Business Planning Guidelines:

This is the seventh monthly Funding Briefing for the voluntary sector in Aberdeen. It provides a brief introduction to business planning for voluntary organisations and is aimed primarily at the small, new or currently grant-dependent organisation. Some may already be considering how to earn income.

This Funding Briefing is linked with more in [depth guidelines](#) (click the link to access the guidelines). These more extensive guidelines use examples to make each issue come to life and it is recommended that you access the full guidance. They may identify for you new ways of looking at the potential for your organisation. This Funding Briefing is a shortened version of the introductory notes to those in depth guidelines. **None of the Funding Briefings or guidelines are designed to take the place of good quality individual advice.** ACVO provides a funding and business planning advice service to voluntary and community groups in Aberdeen, including social enterprises. You may find it helpful to refer to ACVO's Funding Briefings on www.acvo.org.uk which provide more detailed guidance on many of the issues covered here. There are many other examples of Business Planning

guidelines including those provided by The Big Lottery and by Forth Sector Development ("A Business Planning Guide to Developing a Social Enterprise) and organisations that can provide advice. Many are included in ACVO's Funding Briefing "Signposts for Income Generation".

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Why A Third Sector Organisation Needs A “Business” Plan

All organisations, whether voluntary, private or public sector, need to be “**business-like**” in the broadest sense of these words. For example, they need to:

- Plan ahead to the **future** if they are to be **sustainable**
- Know their “market” in the widest sense of that word and invest in “**marketing**” ie **reaching your target audiences**.
- Know their “**competition**” in the widest sense of that word i.e. who else is in a **similar field** or reaching the same **target audiences**
- **Manage their finances** efficiently and effectively
- Manage their human and other **assets** effectively
- Be “**enterprising**” in the widest sense of that word

Thus every organisation needs to have a Business Plan.

This can, but does not necessarily, mean operating as a business, trading or contracting for services for example. These guidelines are intended to encourage business-like behaviour. **All organisations with social aims must be responding to need.** Even social enterprises will often require **grant funding for start up** or to generate up to 50% of their income. Such grants will be given in response to identified need. **Identifying need and the best activities to respond to that need must therefore come first in all social economy “business” plans.**

Needs tend to be persistent. Thus organisations responding to need must be sustainable in the long-term. Sustainability can best be achieved by income **diversification rather than dependence** on a small number of funders. Organisations can become more sustainable by raising voluntary, **unrestricted** donations and/or increasing the **range** and **number** of grants or **selling** goods or services in the open market place. The appropriate Income generation activities will arise from the nature of the **need**, the **beneficiaries** and the **services** to be provided. **All of these diversification options need to be given full consideration.**

How Will You Use Your Business Plan?

It may be that you have only drawn it up because a funder or lender required a copy. **Beware though. If funding or loan finance is given on the basis of that document, the funder/lender will be expecting to see it implemented.** A business plan is **not just a document.** A plan will be nothing more than a document on a shelf if it is drawn up in isolation from its **stakeholders** who therefore feel little **responsibility** for its **implementation** or do not understand its **implications.** The process of planning is likely to identify **opportunities** and **resource** requirements you did not know you had.

A business plan is **not written in stone**. No stakeholder wants you to pursue a plan that is no longer appropriate. Your stakeholders should be involved in **regular review** of the plan.

Some common purposes for business plans include:-

- **Guiding your future**
 - **Alerting** you to problems;
 - **Helping you measure** your performance;
 - Obtaining **loans** and/or **grants**
 - **defining** your financial needs;
 - encapsulating your **longer term objectives** on paper;
 - Instilling confidence in your ability to **manage**
 - demonstrating **need, demand** and a **market** for your product or service;
- Business plans will **show stakeholders that taking a bigger stake in your organisation will be worthwhile** for them. A business plan will give a full description of
 - **who** will use the service and **why**;
 - the **service** over the coming years,
 - what the organisation does at **present** and plans to do in the **future**;
 - the **finances** required to run the organisation.

Being Effective In Meeting Need And Achieving Your Aims

A Business Plan is not a wish-list but details a realistic strategy for actually achieving your aims. You cannot achieve any of your aims without the required resources. At the same time, you can only **justify your resource requirements in terms of achieving those aims.**

Remember that a business plan is for the future. Even if you have managed so far without paying (e.g. to hire a venue) this may not be **sustainable in the long term.** **Every element of your business plan must be reflected in the budget somewhere** or the reasons explained. Every cost included or left out of your budget must be **justified.** The same applies to income as well as expenditure. The business plan needs to include an **income generation strategy.** Even if you intend in the **long-term** to generate income through selling products or services you must include any **start-up** or other loans or grants or fundraising you will require in the **short- to medium- term.**

Being Enterprising: Considering Being A “Business”

Social enterprise – business trading for a social purpose where the profit or surplus is ploughed back into achieving that purpose can

- give opportunities to people, including those who are vulnerable or disenfranchised; and/or
- contribute to the regeneration of the local **environment** and/or
- benefit the wider community and allow organisations to
- **increase** income;
- **diversify** funding;
- provide greater **flexibility** in allocating income;
- improve organisational **planning, management and efficiency**;
- improve **relations** with funders and donors

There are many ways of achieving your social mission including producing a product and selling it to the **general public**; selling a service to the general public; selling a product/service to **an organisation/company**.

However another important market may well be providing services under **contract to public bodies**

The prerequisites for all kinds of social enterprise will be:

- **valuing** what it is you know, what you can do;
- generating **ideas** for turning those skills into a **tradable commodity**;
- identifying **market potential**
- reaching the potential customer

managing your work so that you can **compete** with others for **market share**.

For many organisations, becoming more aware, through the business planning process, of their wider **stakeholders**; their competitive **advantage** and their **strengths** while facing up to the **realities** of sustainable income generation will result in their identifying opportunities **for enterprise** they had never considered.

GLOSSARY OF TERMS:

Fundraising – is raising money by **asking** for it in order to respond to need. Included in this over-arching term is **grant-seeking** and all forms of raising **donations**

Enterprise – is **earning** money by selling in competition with others on the basis of price and quality (voluntary, private or public). It **requires a market and a demand**.

Needs – are experienced by the **people** that your work is about. They may be

- **negative** factors that in an **ideal world** would be eradicated .
- Alternatively they may be **positive** factors which **contribute** to their lives and should be preserved.

They may not be recognised by those experiencing them. **Needs have to be identified, recognised, established** by someone.

You may not have **evidence** of need from those experiencing it themselves if your work is new. However you can gather evidence from **experts**, people with **experience** or **representatives** or carers of people in need for example.

Demand – is the **recognition of need by the people** experiencing it. It may be for a particular service to be provided or it may be for some unidentified **response**

Market – is the demand for a particular service, activity, product or resource from people or organisations **willing and able to pay** for it by buying or contracting.

Implications:

- People may have a need, but do not recognise that this can be responded to so there will be **no demand**. (You will lack **take-up** if you do not invest in more **promotion** or **partnership work**).
- Those that demand a response may be **unwilling or unable to pay** (The service is **unsustainable** without other **income generation strategies**)
- There are those that are able to pay for work because it suits *their* purposes but these do not coincide with your **mission**. (The service does not meet the needs and **does not sustain involvement**. **You can not meet your financiers' expectations**). Follow your own business plan and do not allow your work to be distorted. Enter into financial

arrangements only when this is the case.

- There may be a **market** but you have not **recognised** this. (You face grant dependency when you could be earning unrestricted income)

Stakeholders – are all those **affected by your work**:

- People whose needs you intend to respond to as your **primary purpose**.
- Their families and communities, friends and colleagues who are directly **affected** by your success or failure in responding to the needs.
- Trustees/Committee Members/ Board of Directors who are legally responsible
- Volunteers and/or staff who carry out that work
- **Partner** organisations who **refer** people to you, provide **complimentary** services or work with your **beneficiaries** in other ways
- Organisations which need your beneficiaries to achieve their **goals** as clients, customers, employees, voters, tax-payers, responsible citizens
- those who have, may or do **support** your organisation
- organisations who **share** the same stakeholders
- **potential** or actual paying customers/clients other communities in a different **region** or communities of interest.

Contents Of Your Business Plan

Executive Summary

INTRODUCTION: Introduce your organisation and the **reasons** for the Business Plan

MISSION STATEMENT: Your overall, long-term **vision** summing up your **values/standards**. No more than 20 words.

AIMS: expand upon your mission statement and list your **goals**.

LEGAL STRUCTURE: Charity, company, constituted group etc

SUMMARY: Write this after everything else. Maximum 3 sentences each on **Needs, Beneficiaries, Services, Levels/Standards, Resources**. The **present** situation and the **future** plans.

Your Organisation

BACKGROUND AND HISTORY: The steps taken so far. The **internal and external milestones**.

THE NEED: Why do you **need** to exist? What **changes** do you want to make for people? Involve your stakeholders in helping you identify need and record their input as evidence.

THE BENEFICIARIES: Who needs you? What **issues** do they face? Who are your **priorities**? Involve your stakeholders in identifying

sub-groups within those whose needs you are seeking to address. Involve them in identifying the other issues they face and consult your stakeholders about prioritisation.

OTHER STAKEHOLDERS: Who else is **affected**? Who are or might be your partners?

THE SERVICE: What **action** do you take to meet those beneficiaries/stakeholders needs?

COMPETITIVE ADVANTAGE OF YOUR SERVICE: What is **special** about your services? Involve your stakeholders in identifying this and record their views as evidence.

DEMAND AND MARKET: Are your stakeholders **demanding** your service? Are there people or organisations who will **pay** for your service? What do you know about this? Consult those who might be able to pay, find out about them, do so as you plan so that when you come to trying to sell to them they can see their views have been taken into account.

FUNDRAISING POTENTIAL: How easy would it be to raise funds for this work if you had the right resources? What do you know about this? Consult those who might be able to fund or donate, find out about them, do so as you plan so that when you come to asking they can see their views have been taken into account.

CUSTOMER BASE: What do you know about the people/organisations who might pay you? Have you considered their financial standing? Are there organisations who are quite capable and willing to pay or pay more who you currently are not charging?

COMPETITION FOR INCOME: Which organisations are providing similar products/ services to you?

POTENTIAL MARKET SHARE: How much of the identified market might use your services/products?

ASSUMPTIONS: What **assumptions** about take-up of your product/service have you made when calculating the resources you need?

PRICING: How did you decide what **charges** to make? Consult your stakeholders as part of that decision-making process.

FUTURE DEVELOPMENTS: Complete at the end of the planning process. How will you develop beyond the time of this plan. What have your stakeholders said they want that you cannot include in the present plan?

MARKETING PLAN

OBJECTIVES: What do you want to achieve with your stakeholders? Objectives must be S.M.A.R.T:

Specific: Who do you want to do what with?

Measurable: What would **success** look like? What would **failure** look like?

Achievable: A plan is a **realistic** strategy. What could you achieve?

Relevant: Are your services appropriate to your stakeholders and your **mission**?

Time-Based: How much time are you going to put in? How often? How frequently? How quickly?

RESOURCES: What do you have and what do you need to do?

STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS of your current position? Involve your stakeholders in identifying these by conducting a group SWOT analysis.

ACCESS TO YOUR SERVICES: **physical** access, **language** issues, **geographical** location. Consult your stakeholders on these issues.

PROMOTING YOUR SERVICES: how are you going to **reach** out to your stakeholders? Consult your stakeholders on the best ways of reaching them

DISTRIBUTION: how are you going to get things to your stakeholders?

PREMISES: where are your services? Is the space appropriate? Do you have assets/liabilities?

FACILITIES: what else do you have or need? Do you have **assets/liabilities**?

EQUIPMENT: what else do you have or need? Do you have assets/liabilities?

FUTURE MARKET DEVELOPMENTS: What about all of this do you expect to change?

Structure, Operational & Staffing Details

LEGAL STRUCTURE: What kind of organisation are you? What skills do those in **governance** have? Carry out a skills audit of your Board members.

ORGANISATIONAL STRUCTURE: How are **responsibilities** divided up? Make sure each Board member has a defined role.

LEGAL ISSUES AND POLICIES: What are your legal **obligations**? What other **frameworks** do you work within?

MONITORING AND EVALUATION: How do you **measure** success/failure? Do you gather information about every aspect of your business plan? How do you gather it? How does your Board use this information to manage the organisation?

PERSONNEL STRUCTURE: Who makes up your workforce? How are they **managed**?

PERSONNEL DEVELOPMENT: How are you looking after your **human resources**?

Financial Information

BUDGET: What money do you need to achieve the plan above?

PREMISES AND MAJOR EQUIPMENT: What money do you need for **one-off** items?

REVENUE COSTS: What money do you need for people, administration, service provision, promotion, fundraising, stock for trading?

INCOME GENERATION STRATEGY: How are you going to find that money? What realities have you based that strategy upon?

FINANCIAL PROSPECT: Are your income generation ideas tried and tested or quite **risky**?

FUNDRAISING RESOURCES: What do you have/need to put those ideas into **action**?

COSTING AND PRICING: How did you decide **charges** for income generation activities? Is your decisions not to charge appropriate to the amount of income that you need and the prospects of and resources for raising that amount?

CASH FLOW FORECAST: What money is coming in/going out of your bank account **when**?

PROFIT AND LOSS FORECAST: How much **surplus** will you have/when?

BALANCE SHEET: A snap shot of what your business is **worth** given assets/liabilities

BREAK EVEN ANALYSIS: The point of operation when you have a surplus.

OTHER FINANCIAL DETAILS: Loans, investors etc