

A guide to business planning



Contents

The Benefits of Writing a Business Plan	3
Considerations	3
Characteristics of a Good Business Plan	4
Section 1: Executive Summary	4
Section 2: Business Background	6
Section 3: Business Objectives & Goals	6
Section 4: Management and Organisational structure	6
Section 5: Delivery of Products and Services	7
Section 6: Premises	8
Section 7: Equipment	8
Section 8: The Market & Market Research	8
Section 9: Marketing & Sales	10
Section 10: Policies and Procedures	10
Section 11: Finance	11
Appendices	12
Further Information	12

Published by Social Business Wales, 9 November 2015

Social Business Wales is funded by the European Regional Development Fund and Welsh Government. It is delivered by the Wales Co-operative Centre and is part of the Business Wales service.

Social Business Wales accepts no liability for the content of this guide, or for the consequences of any actions taken on the basis of the information provided.

Copies of this guide are available from <https://businesswales.gov.wales/socialbusinesswales/>

Also available in Welsh. Also available in large print format.

The Benefits of Writing a Business Plan

Writing a business plan is one of the most important tasks when starting up a new social business or helping to grow and develop an existing business. It will help you set targets, collate all your ideas, plan for the future of your enterprise, and confirm that your ideas for your business are realistic and workable. For social businesses, a well written business plan will also help to illustrate how your business will generate a surplus that can be used to support your social aims.

The business plan is also an essential tool for attracting funding / finance and investment. It is a dynamic document that should be reviewed regularly to help you monitor and measure the performance of your social business.

This guide describes what a business plan should include.

The business plan is principally for you and your social business partners and it can help you to:

- ▶ Bring together your ideas and research into a structured format.
- ▶ Decide whether or when your social business will be commercially viable.
- ▶ Demonstrate how you will achieve against your social aims and objectives.
- ▶ Clarify and communicate your social business purpose to all internal and external stakeholders.
- ▶ Predict future scenarios and pitfalls and address them before they threaten the success of your social business.
- ▶ Set out the strategy for your social business, focussing on the businesses operational approaches, its finances and how you market your products or services.
- ▶ Set targets and objectives, including sales and financial targets, so you can monitor your social business' performance on a continuing basis.

Considerations

If you intend to use your business plan to convince an investor, lender or funder to support your social business, it is crucial to understand their objectives. You can use the business plan to address them so you can be certain of meeting their particular funding or investment criteria.

It is important to make your plan stand out from the crowd, so make it easy to read. It should be comprehensive, yet concise and should contain no contradiction. For example, check that the figures you include in the plan for expenditure on equipment are the same amounts as you put in your financial plan.

Where possible, identify as early as you can what your prospective investor needs to know about you and your business. If you state the assumptions you have made in reaching your conclusions (the market research results that led you to your projected sales forecasts, or why you have chosen to locate your business in a particular place, for example), the investor will not be left guessing your intentions or think that you have failed to address certain key issues.

Characteristics of a Good Business Plan

There are some key considerations to apply when developing the business plan:

- ▶ Assume the reader knows nothing about the business.
- ▶ It should describe the social business concisely and accurately.
- ▶ Keep it simple, use simple language and avoid acronyms (e.g. WG)
- ▶ Avoid waffle – make sure each sentence is relevant and there is no repetition
- ▶ Use appendices for detailed information such as financial forecasts, breakdown of equipment required, market research, CV's, questionnaires.
- ▶ Have a clear structured layout consisting of short, concise, numbered paragraphs.
- ▶ In most instances a business plan can be kept to within 15-25 pages of A4. Keep it clear, concise and believable.
- ▶ Involve as many people within the business as is practical in writing the plan, including key stakeholders if possible – it can solve communication problems and obtain agreement on objectives, structures and methods of running the business.
- ▶ The plan will normally cover a three year period and include detailed financial forecasts for this period. The period covered should be clearly stated.
- ▶ Always include an Executive Summary - it will allow the reader to obtain an overview of the project immediately. It should be possible to read the complete business plan within half an hour.
- ▶ The Board should use it as an ongoing method of monitoring - it is not produced simply as means of raising finance but is an important working document.

Please note, not all social businesses are the same size and scale and therefore not all of the questions and prompts in this guide will be relevant. The guide will help you to consider the information required to structure a comprehensive business plan.

Section 1: Executive Summary

This should be a brief summary of the rest of your plan and should be no more than two pages long. It is the first thing that an investor will read so it must be well written, should engage the reader and, ideally, should stand out from the many other business plans an investor or lender will receive. This section is normally completed last and should include a brief paragraph from each section of the main body of the plan.

- 1.1 What is the name of the business?
- 1.2 Provide a brief background to the business.
- 1.3 Provide details about the location of the business.
- 1.4 What is the purpose of this business plan?
- 1.5 What is the business activity?

- 1.6 Provide details about the products and services.
- 1.7 Provide a brief market overview.
- 1.8 Briefly describe the aims and objectives.
- 1.9 Provide detail's of the legal structure (including relevant dates).
- 1.10 Describe the management structure and experience.
- 1.11 Provide a financial summary / snapshot.

(Below are some example financial tables you could use to present this information).

Financial Projections

Summary of 3 years projected turnover and profits:

	Year 1	Year 2	Year 3
Income	£000,000	£000,000	£000,000
Fixed Costs	£000,000	£000,000	£000,000
Variable costs	£000,000	£000,000	£000,000
Profit	£00,000	£00,000	£00,000
Breakeven income	££000,000	££000,000	££000,000

Funding Requirements

Summary of funding requirements:

Vehicle	£000,000
Equipment	£000,000
Working Capital	£000,000
Other...	£000,000
Total	£000,000

Sources of Funding

Summary of the different sources of funding required:

Directors own funds	£000,000
Loan	£000,000
Grant	£000,000
Other	£000,000
Total	£000,000

Section 2: Business Background

This section provides you with space to give a detailed overview on the business background. It should cover critical details or your organisational development and business activity, as well as information relating to your legal and VAT status.

- 2.1 Provide details about the business background.
- 2.2 Provide details about the projected business activity.
- 2.3 Provide details about the legal structure.
- 2.4 Provide details about the VAT status - Charities and Social Enterprises have no statutory exemption from VAT Registration. It is important that Charities and Social Enterprises are aware of the nature of all their income and any planned activities so as to ensure that they do not breach the registration threshold.

Section 3: Business Objectives

This section will help you articulate your business objectives. You will also clarify your mission statement as an organisation. As an appendix to this document we've provided a glossary on a range of business terms which relate to this section and to the wider business plan.

- 3.1 What are the social business objectives in the short / medium / long term - Objectives are specific. The acronym SMART is useful for setting objectives. It stands for Specific, Measureable, Attainable, Realistic and Time-Limited
- 3.2 What is the mission statement for your social business - A Mission Statement defines the organisation's purpose and primary objectives, and explains why the organisation exists.
- 3.3 What factors are critical to the success of the social business?
- 3.4 What KPI's are used to assess the performance of your social business - Key performance indicators (KPI's) should be used as a management tool to assess the performance of the business. KPIs should be set prior to the assessment period. However these can change if significant changes are made. KPIs should be SMART (Specific, Measurable, Achievable, Realistic and Time related).

Section 4: Management and Organisational Structure

The people in any business are the most important asset and how they are organised will affect its efficiency. It is important to provide information on the Board of Directors/Trustees, the operational and management team and any volunteers that support the delivery of the business activity.

It would be useful to provide an organisational chart. Organisational charts are diagrams that show the internal structure of the business. They make it easy to identify the specific roles and responsibilities of staff. They also show how different roles relate to one another and the structure of departments within the social business. You may want to include CV's of key personnel within the appendices.

- 4.1 Provide details about the Board of Directors / Trustees - What are their experience and responsibilities?
- 4.2 Are any of the Board of Directors / Trustees paid?
- 4.3 Provide details about the Operational and Management team – What are their experience and

responsibilities? Provide details of who will deal with administration and legal documentation.

- 4.4 Provide details about other personnel / employees / support team – What are their experience and responsibilities?
- 4.5 Provide details about volunteers – What are their experience and responsibilities?
- 4.6 Do the key people have the necessary financial acumen, sector, management, and project management experience to run a business of this size?
- 4.7 Provide details about membership – Where are the members of the social business drawn from and describe how you will engage with the membership?
- 4.8 What are the external support / mentoring requirements of key personnel?
- 4.9 What are the future staff requirements / gaps in team / any mitigation?
- 4.10 Provide details of specific skills requirements / are they widely available?
- 4.11 Is the business reliant on any one individual?
- 4.12 Are there any labour fluctuations that can affect your business?
- 4.13 Provide details about any training policy and plan. How is this implemented within the business?

Section 5: Delivery of Products and Services

Clearly explain what it is the social business aims to provide, whether a product, service or a combination of the two. It is important to cover everything while keeping it as simple as possible – keep in mind that the reader may have no knowledge of the product. Explain clearly how it is produced/supplied/delivered.

- 5.1 What products or services will be provided? Explain clearly what they are. Break down each different product of service.
- 5.2 What are the benefits to the customer - You should consider the key features of each product or service and what benefits are afforded to the customer. You could present this information in table format to ensure it is clearly presented.
- 5.3 What is the social impact of the business, or the impact of the product/service?
- 5.4 Provide details of how your products or services will be manufactured or delivered?
- 5.5 Where and how do you distribute your products and services - You need to think about the route, through which goods/services move from the source to the final user. This could be through intermediaries, distributors, wholesalers and retailers. You need to think about how each route affects pricing and how you will effectively market each route.
- 5.6 What are the pricing objectives - You need to consider the competitor market as well as your own breakeven and profit margin objectives.
- 5.7 What are the costs to produce your product or service?
- 5.8 Provide details of the terms of business / invoicing & / or payment collection.
- 5.9 Will there be future (new) product or service development?
- 5.10 What is the estimated life span of your product or service?

5.11 Does the business require accreditation to be competitive in the marketplace?

Section 6: Premises

Details of rent/rates, maintenance costs and other overheads attached to the premises should be provided in summary. You should also make it clear why you have chosen the location for the business.

- 6.1 Provide details of the premises / length of time at premises and any details regarding the business location.
- 6.2 Provide details about the size of premises / is it an effective use of space?
- 6.3 Provide details regarding ownership / leasing / terms / break clauses etc.
- 6.4 Provide details of any rental yields if applicable.
- 6.5 Are the premises sufficient to meet the business requirements now and in the long term?

Section 7: Equipment

Details of equipment requirements along with lists of suppliers and quotations should be included.

- 7.1 Provide details of existing equipment / motor vehicles / plant and machinery / fixtures and fittings (include ages / types etc.).
- 7.2 Are assets sufficient for future business requirements?
- 7.3 Is additional equipment required in the short / medium / long term?
- 7.4 Provide details about any capital expenditure plan.
- 7.5 Is any additional equipment required?
- 7.6 Are sources of equipment / material readily available?
- 7.7 Provide details about suppliers and terms of trade - You could consider presenting this information in table format to ensure it is clearly presented.
- 7.8 Provide details of quality standards if applicable.

Section 8: The Market & Market Research

It is extremely important to use this section to convince the reader that any income identified in the finance section will be achieved. Describe any market research carried out (include original research, desk research and historic data) or pilot projects.

- 8.1 Provide details about the market overview - Who and where is the market, how do you reach it, who are the competitors, what are the influences that affect the market?
- 8.2 Provide details of any market research undertaken (include examples of possible Market Research methods).
- 8.3 In what areas will the social business operate?

- 8.4 Provide details about the target market and customer profiles. Is the market accessible?
- 8.5 Provide details of relevant demographic information.
- 8.6 Provide details about your Unique Selling Point (USP).
- 8.7 Is there clear demand for the product / service?
- 8.8 Provide details about any Intellectual Property considerations.
- 8.9 What external factors are likely to affect your business? (Political, Economic, Social, Technological, Legal, Environment) - PESTLE is an acronym for political, economic, social, technological, legal and environmental. A PESTLE analysis provides a framework for reviewing your business in the light of external factors that may affect it in the future. By remaining aware of trends and changes in your business environment, your business can gain a competitive edge. By carrying out a PESTLE analysis you can demonstrate that you have considered the 'bigger picture' when writing your business plan. The process may inspire you by generating new ideas or alert you to potential dangers to be aware of in the marketplace.
- 8.10 Are there any likely developments in the market in the short / medium / long term?
- 8.11 Are there future plans to expand into other markets?
- 8.12 How price sensitive is the market?
- 8.13 Describe any seasonal changes and / or trends in the market(s)?
- 8.14 Provide details about your principal competitors and in what way are they competitive? How will they react to you entering 'their' market - You could present this information in table format to ensure it is clearly presented.
- 8.15 What advantages does your business have over your competitors?
- 8.16 Could other new entrants join this market? How would it affect your business?
- 8.17 Could substitute products be used in this market? (Think film downloads and DVD rentals)?
- 8.18 How much power will your suppliers have on your ability to deliver products and services?
- 8.19 How much choice and power do customers have in the market? Are they loyal? How easily could they move to other suppliers?
- 8.20 What is your competitive advantage - Possible competitive advantage factors include:
- ▶ Successful track record of providing high quality products / services at a competitive price
 - ▶ Bespoke product / service means that the customer will get a product / service to their exact requirements
 - ▶ Excellent customer service
 - ▶ Use of tested suppliers to ensure quality and continuity
 - ▶ Directors / personnel experience in all aspects of the business).
- 8.21 Complete a SWOT analysis of the business. - *A SWOT template example can be found in the Appendices of this guide.*

Section 9: Sales & Marketing

The sales and marketing section of your business plan should address your principle sales tactics, advertising, and an overall marketing plan. Your sales and marketing strategies need to coincide with your overall business objectives and mission. External influences, including changes in the marketplace, competition, and the overall economic climate, play a role in how you plan to market your business.

- 9.1 Provide details about your marketing strategy.
- 9.2 What is your marketing message and how will you communicate it to your target markets - Marketing messaging is a term to describe how you talk about who you are and why you exist as an organisation. It communicates key points you consistently make when you reach out to your audience. And it always ties back to your brand.
- 9.3 What are your marketing methods - You could consider a number of the methods identified below.

<i>Direct Mail</i>	<i>Word of Mouth</i>	<i>Exhibitions</i>
<i>Leaflets / Brochures / Cards</i>	<i>Door to Door / Cold Calling</i>	<i>Websites</i>
<i>Yellow Pages / Yell / web directories</i>	<i>Sales Parties</i>	<i>Social Media</i>
<i>Press Releases</i>	<i>Telesales</i>	<i>Pay per click advertising</i>
<i>Radio / Television</i>	<i>Agents</i>	<i>Mobile display advertising</i>
<i>Advertising</i>	<i>Offers (discounts, BOGOF etc.)</i>	

- 9.4 Provide details of your branding - Don't limit this to your logos and colour schemes but define your service standards and the wider promise of the business, and how you will monitor it to ensure that standards are upheld.
- 9.5 Provide details about your partnerships / networks / support systems.
- 9.6 Provide details about your sales strategy.
- 9.7 Provide details about your sales channels - A sales channel is a way of bringing products or services to market so that they can be purchased by consumers. A sales channel can be direct if it involves a business selling directly to its customers, or it can be indirect if an intermediary such as a retailer or dealer is involved in selling the product to customers.
- 9.8 Provide details about your sales personnel, experience, responsibilities.
- 9.9 Provide details about your customer service strategy.
- 9.10 Provide details about your distribution and logistics.

Section 10: Policies and Procedures

Processes, procedures and standards explain how a business should operate. Developing processes, procedures and standards is particularly important if you are in the early stages of establishing a business, or when you are trying to rebuild or grow a business that has been underperforming.

- 10.1 How does your social business ensure policies & procedures are kept up-to-date and in line with current legislation?
- 10.2 Please list in the Appendices a full list of your policies and procedures. Please highlight here some

of the main policies and procedures that affect your business.

10.3 Provide details about any relevant legislation and compliance.

10.4 Provide details about any insurance.

Section 11: Financial Projections

Cash flow forecasts, profit and loss forecasts and balance sheet forecasts are required for at least the first twelve months, preferably for the first three years and included in the appendices. These must show all working capital requirements, expected income in terms of grants, loans, fees and sales and all expenses such as wages, expenses, rent, telephone and all other overheads. These costs must be properly explained in this section with summary information provided and sensitivity analysis e.g. what if overheads increase by 5% unexpectedly?

- 11.1 For projected sales identify the cost of each unit (consider the market rate for similar products/ services) and estimate how many you expect to sell each month. If you cannot be as specific as this then estimate what you consider to be the likely turnover each month based on your marketing. Consider seasonal fluctuations and be prudent. You should provide a breakdown by activity in the cash flow. You should also identify the nature of the revenue being brought into the business, i.e. term contracts.
- 11.2 You need to ensure your projections provide a year-on-year comparison and you should look to provide assumptions which explain any changes to the figures on a year-on-year basis. You should also indicate if the activity is time sensitive.
- 11.3 Do the projections take into account different contract payment approaches e.g. advance / arrear payments?
- 11.4 Can you differentiate between restricted and unrestricted funds?
- 11.5 What will the business do if it loses any key contracts?
- 11.6 Can you identify any purchases you need to make to achieve the above turnover? In your business it may be the situation that you have no purchases that directly relate to turnover.
- 11.7 You will need to calculate your overheads. The types of expenses you may well incur include heat, light, rent etc. You should provide full explanations for these costs in your assumptions.
- 11.8 You will need to identify the payroll. The number of employees, the different wage rates and the hours worked. If any staff are paid on commission or directly related to output, just provide a note as to how this will be calculated.
- 11.9 Is equipment important to the running of the business and what are the costs and frequency of replacement?
- 11.10 You should provide an up to date debtor and creditor list in the appendices.
- 11.11 Does the business have a clear policy in respect to reserves?

Appendices

The business plan must be free from waffle and easy to read. To achieve this skill will be required however, if appendices are used correctly, they can assist in achieving these aims.

In the first instance the detailed financial forecasts should be included in the appendix – normally Appendix 1 due their great importance. Selected main points should be drawn from these forecasts and contained in the main body of the plan.

Other appendices could include:

- ▶ Up to date debtor and creditor list.
- ▶ CV's of the key individuals on the Board and in the operational structure of the business.
- ▶ Lists of required equipment or other capital purchases with relevant quotations.
- ▶ Details of any market research carried out and sample questionnaires.
- ▶ Product details, drawings etc.
- ▶ Details of premises with photographs, quotes, specifications.
- ▶ Any letters of support.

Further Information

The guide has been produced for the Social Business Wales project. Social Business Wales is funded by the European Regional Development Fund and Welsh Government. It is delivered by the Wales Co-operative Centre and is part of the Business Wales service.

Social Business Wales aims to support social businesses with aspirations to grow. For further assistance, please contact:

Business Wales: <http://businesswales.gov.wales> / Tel: 03000 6 03000

Or visit the online toolkit <http://businesswales.gov.wales/socialbusinesswales/>

Appendices

1. Glossary

The table below provides a glossary of key business terms that can be found in this guide.

Term	Definition
Objects	The reason why the organisation exists.
Purpose	The reason why the organisation exists.
Mission	Defines the organisation's purpose and primary objectives. A mission statement explains why the organisation exists.
Vision	What the leaders of the organisation wish it to become. <i>Vision</i> paints a picture of the organisation at a point in the future, for example in 3 years' time.
Values	The principles that direct behavior and action. <i>Values</i> guide people on how things should be done.
Ethos	The sum of an organisations' values.
Goals	The broad intentions of an organisation, often long term.
Aims	The things it is hoped can be achieved.
Objectives	The specific things that the organisation seeks to achieve.
Targets	The exact results that the organisation or individual seeks to achieve.
Outputs	The activities done or things made: what is produced or delivered.
Outcomes	The change that is a result of <i>outputs</i> : the observed effects of them.
Impact	The degree to which the outcomes are attributable to its activities, adjusted for what would happen anyway.

2. SWOT (Strengths, Weaknesses, Opportunities, Threats)

A strengths, weaknesses, opportunities and threats (SWOT) analysis helps you focus on the internal strengths and weaknesses of you, your staff, your product/service and business processes.

At the same time, it enables you to look at the external opportunities and threats that impact on your business, such as market and consumer trends, competitor activities, changes in technology, legislation and financial issues.

It will help you focus on your business strategy and on the important issues you are facing.

Strengths
How can [your business] capitalise on these strengths?
Weaknesses
How can [your business] minimise these weaknesses?
Opportunities
How can [your business] capitalise on these Opportunities?
Threats
How can [your business] minimise these threats

Wales Co-operative Centre
Y Borth
13 Beddau Way
Caerphilly
CF83 2AX
Tel: 0300 111 5050
Email: info@wales.coop
Web: www.wales.coop

The Wales Co-operative Development and Training Centre Limited (trading as the Wales Co-operative Centre) is a registered society under the Co-operative and Community Benefit Societies Act 2014, number 24287 R.

Rydym yn croesawu gohebiaeth yn Gymraeg a Saesneg. Ni fydd oedi os byddwch yn gohebu â ni yn Gymraeg.