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## Creating a Business Plan

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*The importance of developing a business plan should not be under-estimated. A well thought out business plan will give you ideas, direction and focus and will enable you to concentrate on what is really important for your enterprise to succeed. Remember that the more you know about markets and customers the easier it will be to produce an effective business plan.*

*The following tips will help you to start thinking about your business plan.*

### 1. Market/Customers

Markets/customers are the source of your sales and as such understanding key areas of your market is fundamental to the business plan. Consider the following:

- Is the market large enough to provide me with customers?
- What are my main markets?
- What are the prospects for my most important markets?

Consider where you stand competitively:

- *Product* – From the customer's point of view, are the standards/facilities of my product/service above average, average or below average?
- *Price* – Given the competitiveness of my standards/facilities is my price about right, too high or even too low?
- *Promotions* – Do I undertake more promotional activity than my competitors, about the same or less? Is there an opportunity to be more competitive?

### 2. Financial Situation

A basic part of understanding your current business situation is to know your current financial position:

- *Where am I now?* - Your revenue, your costs, your assets and liabilities.
- *Where do I want to be?* – Your opportunity to set financial objectives for your business over the next three years. Remember, your plans must be based on realistic targets of achievement.

### 3. Strategy

The most important part of your business plan is the section that sets out what you are going to do to achieve your objectives and implement your strategies. It is most important in this section to concentrate on those actions that will give you the best value and not to plan too many activities. This section covers:

- Identification of opportunities to develop your market.
- Sales and marketing actions to win the business.
- Staff/self management improvements to enhance efficiency.
- Opportunities to reduce costs.

Note that even if your enterprise isn't designed to make a profit, it still stands much more chance of success if it adopts the Business Planning process - as any new small business should. In a competitive world, community projects and partnerships have found that it does no harm to copy techniques from the business world. You can successfully combine the business planning process with the usual good practice

of community development. A Business Plan might be called a Project Plan or a Funding Plan - but it is essentially the same thing in all cases.

## Why write a plan?

Writing a plan is the best way to formalise your ideas and structure them so that you can realistically assess whether your enterprise will be viable. It will also be vital to persuade sponsors and partners to help you.

A good Business Plan will help you to find the right questions as well as providing some of the answers. It will reveal areas where you need to find out more, and eventually provide you with a "map" to development.

If you're planning to start your enterprise as a community initiative, the business planning process will help you to work together, keep you on track, and stop you getting sidetracked.

A key part of the plan will be the market research that you carry out, to identify the needs of the people you want to help - your customers. This should help you assess how many people will use your service/ buy your produce and whether the demand is high enough to make the enterprise viable.

You will also need to research the costs involved and predict your future payments for at least a year ahead. Preparing these forecasts will be an essential part of the plan, particularly if you are going to be applying for funding. It is also good practice for when you get going - and not as hard as it may sound.

## Writing tips for a good business plan

- Keep it clear, short and simple. You are writing this plan mainly for yourself, your sponsors and your collaborators. Just because it is a formal document doesn't mean you need to use formal language: say what you mean. Never use a long word where a short one will do. Communicate - don't complicate!
- However, a plan is usually written in the third person, i.e. "The project will be run at ..." rather than "We will run the project at ..."
- Be SMART! Find out and use facts. S.M.A.R.T. stands for things that are Specific, Measurable, Achievable, Relevant and Timely. You need to put figures in and state the time period over which you hope to achieve targets
- If you are working in a team, break the writing into manageable 'chunks'. Start with a framework or 'skeleton' and fill in each bit as you can. Share out fact-finding and see if you can find different helpers to write different sections. But choose one overall 'editor' - it's impossible to write by committee!
- Remember that the business or project planning process is cyclical. Every time you find out something new, it will affect what you know already and you may have to revisit decisions and re-write sections. Planning is something that is never finished - a good entrepreneur will consult and change the Plan and redo it every year!

You can think of a Business Plan or Project Plan as a list of questions - answer them and you will have your plan.

## Questions

### 1) **Who are you and what is your idea?**

Answer this question and you will have an **Introduction**, or a section that gives an overview of the whole project. You could call it **the organisation and enterprise idea**.

Describe who you or your group are, what is your the vision, give an overview of the enterprise idea and whom you want to help - you could put a list of enterprise aims here. You can list group members in an Appendix.

### 2) **What are your aims?**

To answer this question, you may find it useful to produce an overall Mission Statement for your group or enterprise.

List your goals or targets. Try to divide them into what you will aim to achieve in the short, medium and long term (e.g. in 1, 3 and 5+ years). The more specific you can be here the better; use numbers and time-scales as well as descriptions. Be realistic and compare different targets to see if they all fit together. If you set yourself measurable targets that relate to your finances, the number of people you will serve, the number of hours people will use your facilities and so on, you will be able to see how you are doing and keep your project on course.

### 3) **Where are you?**

Answer this question and you will have a section called **Location and Premises**

Briefly describe your community and location - why is it important to run the enterprise here? Describe your premises, if you have some in mind; if you don't, indicate the size or kind of premises you might need, or how you might share premises. You can put details like maps or an outline plan in an Appendix.

### 4) **Why you want to do it/ what needs does your community have?**

This question will give you section you can call **Market Research**, or just Research. This will be one of the broadest questions you have to answer and might produce a long section with lots of detail: ranging from interviews with local people to facts and figures from publications. But it's an all-important section that will trigger the funding!

Try working from the general to the specific. You can start by giving the context for your project:

If you have done any recent local research that proves there is a need for your enterprise include it here.

### 5) **Who else is doing it?**

Answering this question will give you a sub-section on "**Competition**" or "Competitors". But don't forget that you can and should work with others, so some competitors should and will turn out to be partners!

It's important to describe who else is offering a similar service, and if it is accessible and affordable to your target group. If there is no other service or nothing else affordable or close by - or acceptable for certain sections of the community - then it will strengthen your funding bid.

Visit organisations, which offer similar services. Find out about prices, opening hours, equipment, access, public transport, help and support available, what the staff are like and so on. Collect leaflets. You might like to take photos. Make a list of who offers what - and the pros and cons (or strengths and weaknesses) of the existing services you have seen.

Use this opportunity to identify gaps in provision that you could fill or to offer a different service to whatever exists already.

It may be that there is nowhere else close by where the community can get the services you are - but it is up to you to show that you have looked, and to show how your proposals fit with what is already available.

## 6) **How do you plan to do it?**

This section will give you a detailed description of the enterprise and how it will work - You could call it "**Project Implementation**"

- Try to give outline targets and timescales - even if you have to change them in the light of later information.
- What skills will you need? Will you employ anyone? Will you use volunteers? Can you get help from people seconded from a local company?
- Consider how you will promote and market the project. You could make this a separate section called Marketing Plan (basing it on the results of your research)
- How will people find out where you are and what you do - and how much will it cost to tell them? Will you use leaflets? Signage? A web page? Meetings? Special events? How much can you do yourself and with volunteers? Outline your plans for promotion.

## 7) **What do you need?**

You might call this part "People, Resources and Equipment"

Describe: what you have, what you need, where you might get it.

Remember people are your most valuable resource. Describe your partners, volunteers, skills, assets, sponsors, donations and the time everyone has put in so far.

You will also need to consider where to get other equipment you might need, such as furniture.

Consider also stocks of consumables you will need: paper, disks and computer supplies.

## 8) **How much will it all cost?**

Divide your costs into:

- Capital costs (assets you need to buy) and
- Revenue costs (ongoing running costs like consumables, heating, subscriptions and any salary or volunteer costs).

List all the assumptions you are making (e.g. how much one of something costs and how many you will need in a year; how many days you will be open etc).

## 9) **Where and how get funds (Funding Plan)?**

When you know how much things will cost, you can work up a funding plan.

You will need to list current and future sources of funding and whether they are confirmed, with expected release dates. In case you do not reach your targets, you need to show what else you might do instead - contingency plans.

For projects designed to generate their own revenue through charges - or a mix of charges and funded sub-projects - you can use your cash flow forecast to demonstrate how much income you expect to generate and then make fund-raising plans for the short-fall.