



BSSEC

resources

Developing a Social Enterprise - a resource pack

Part 2 - Producing a Business Plan

This part of our resource pack gives an overview of the work involved in producing a business plan for a social enterprise, and aims to offer guidance to those that have little or no previous experience in business plan writing.

There is already a wide selection of literature available on how to write a business plan, and so this document draws upon some of the most appropriate guidance published and aims to bring it together in a concise, digestible format.

Support is also available from social enterprise development bodies to help you put a plan together, and this document seeks to complement such services.

Before you begin

A strong business plan is a vital tool for any successful enterprise. It should not only map out what your enterprise will achieve and how it will operate, but it can also act as a 'compass' for your enterprise once it's established and keep you on track with your objectives. This is especially important for social enterprises as they must meet both business and social or environmental goals.

However, business planning is part of a process and ideally there are several preparatory stages which need to be completed before you begin the business plan itself. These can be described as follows.

Be clear about your idea, aims and motives

Has your business idea got a clear focus and purpose - do you know what you plan to offer, who your likely customers are and the needs you want your enterprise to meet? It's important to start right from the outset with a market focus - think in terms of paying customers, the product or service they might want, and how you are to get that product or service into the marketplace.

Motivation is also important. Are you clear about why you want to start a social enterprise rather than any other kind of enterprise? Are there alternative forms that your business could take?

"Motivation is important. Are you clear about why you want to start a social enterprise rather than any other kind of enterprise?"

Developing a Social Enterprise - a resource pack has been produced by Birmingham & Solihull Social Economy Consortium (BSSEC) - a practitioner-led network that supports and promotes the social enterprise sector.

The pack provides guidance and information for those that wish to set up a social enterprise, but have little or no experience of business development. It comprises:

Part 1 - Are you ready for enterprise?

Part 2 - Producing a business plan

Part 3 - Creating a marketing strategy

Part 4 - Balancing aims and income

To download the full resource pack, free of charge, go to www.bssec.org.uk

Contact BSSEC

Alun Severn
BSSEC Secretariat
Tel: 0121 233 0278
alun@bssec.org.uk

Complete a feasibility study

Social enterprises trade in order to achieve their social or environmental objectives - this is how they deliver community benefit. It is therefore important to be clear from the outset regarding both the social (or environmental) aims of your business idea and the viability of the trading activity which will enable you to achieve these aims. The two things need to go hand-in-hand.

The feasibility of your business idea will, of course, be subject to detailed examination in your business plan, but there is quite a lot of preparatory work you can do which will not only help clarify your idea but will also contribute to your business planning.

All that is really needed at this stage are some basic but realistic calculations which will help determine whether your business idea is worth pursuing. For example:

- Who are your customers?
- Will they buy goods/services from you rather than a competitor?
- What are they likely to pay - can you find out what the 'going rate' is for the goods/services you plan to offer?
- Work out a ball park figure for your set-up costs and first year's operating costs (premises, fixtures and fittings, equipment, insurance, staff costs, materials etc).

Calculations - even rough ones - along these lines will help you begin to work out what level of turnover the business will need to do in order to be viable, and whether such a figure is likely to be achievable given what you know about the market.

"Be clear from the outset regarding both the social (or environmental) aims of your business idea and the viability of the trading activity"

For further advice and ideas about initial feasibility research see part 1 of this resource pack: www.bssec.org.uk/pdfs/DASE_Part1.pdf.

Understand the risks

Business planning is about managing and reducing risk. But the fact remains, there are risks involved in setting up any kind of enterprise and you need to be aware of the different kinds of risk you could face should the business fail.

While most risk is primarily financial, there are other risks to consider too. For example, setting up a business which fails could damage your professional reputation, taint the perception of any associated organisations, or have a negative effect on the local social economy.

Thinking carefully about the risks involved at this early, preparatory stage will also help you focus on key issues when you get to develop your business plan. It will also give you a much better idea of just how risky your business idea might be - and how that risk might be reduced

Compiling your plan

Working through these initial key steps will help you start to gather the kind of information needed for your business your plan. You'll also be more informed about your business idea and this will help you make better use of any assistance that you are offered.

The next stage is to actually pull it all together into one document. There are many different templates available - free of charge - though some are more comprehensive than others. Here, we've drawn together a list of the key components a social enterprise business plan can include:

Summary

A business plan should begin with a summary giving an overview of what your enterprise will

do, and what it will aim to achieve. As the title suggests, this should be concise and it should seek to 'sell' your enterprise idea. Think of it as your prospectus.

About the enterprise

This section should act as an enterprise profile, and can include the following:

- Company name
- Address(es) of where the enterprise will operate from
- Legal structure - there are many different legal forms social enterprises can adopt. If you're unsure of what's the most appropriate for you, then you should seek advice from a business support agency.
- Brief service/product description
- Mission statement and/or core values
- Development history

Social purpose

Explain the social purpose of the business and outline:

- What social and/or environmental benefits the enterprise will create, and how it will do so
- Who it will benefit
- Why the enterprise needs to create these benefits

Key roles/staff

Your plan should outline:

- The management structure of your enterprise
- The key roles and their responsibilities
- The personnel that are/will be involved and their skills and experience
- Any training requirements

Services/products

Services/products description

State clearly what you're offering and include a comprehensive description. Some business plans, particularly those of enterprises offering services rather than products, use scenarios or case study examples to illustrate more fully what they intend to provide.

Production/delivery method

How will you actually produce and/or deliver your goods or services? What will be involved in the process? Being clear on what's involved in the production and/or delivery will help you to forecast your enterprise's turnover more accurately.

Also, this is the section where you should consider additional production/delivery requirements of your enterprise, such as health and safety assessments, CRB checks, specialist training, skills or expertise that might be required etc.

Suppliers

If you need to work with suppliers to deliver your services/products, then you should identify who they are before you go into business. The more specialist your suppliers are, the more research you'll need to do beforehand to ensure that alternative providers are available should you need them.

Also, you should never assume a supplier will be able to provide you with what you need - always check first and get comparative quotes where possible.

When choosing your suppliers, you may also wish to consider their ethical credentials as what they do and how they do it could affect perceptions of your enterprise.

Premises

Give an outline of where your enterprise will operate from and details of the property, or at least the type of premises you require.

Indicate if you intend to rent or purchase the premises and how you will meet these costs.

"State clearly what you're offering...some business plans use scenarios or case study examples to illustrate more fully what they intend to provide"

If there are any planning issues, expected refurbishment costs, etc, you'll need to list those as well.

Also, give details of what kind of insurance the premises will require in order for you to operate your business.

The market

As part of your initial feasibility research, you should have already identified:

- A clear need for your services/products
- Who your customers are most likely to be
- The market size
- Your unique selling points
- Any significant market trends
- Your main competitors

This information should be incorporated into your business plan, and you may directly reference your feasibility research to demonstrate that you have tested your enterprise idea.

Marketing and promotion

Many businesses develop a marketing strategy as an additional document to their business plan, however a general outline of your plans for marketing and promotion should be included in here. In this section you should indicate:

- How you will price your services/products
- What your marketing budget will be
- What marketing activities you'll undertake
- Who will be responsible for delivering your marketing and promotion activities

"As a social enterprise, your business should have a clear social mission and be able to demonstrate this to customers, stakeholders and employees"

Sales

In this section you can also include details of any plans that are specifically sales related - do you plan to implement a customer feedback process, for example, and will you devise any customer care policies?

Social impact

As a social enterprise, your business should have a clear social mission and be able to demonstrate this to customers, stakeholders and employees. In order to be able to do this you really need to be able to measure the social impact of your enterprise.

This is relatively new territory, so don't worry if you don't yet understand social impact assessment. Business advisors at a social enterprise support agency should be able to steer you in the right direction. It may be sufficient for the purposes of the business plan to set out your plan - and timetable - for adopting some form of impact assessment technique.

There are various ways that impact can be measured - including techniques such as Social Accounting & Audit, and Social Return on Investment - but these are something that you will want to work towards rather than adopt from day one. There is an interesting case study of the use of social accounting on the BSSEC website: www.bssec.org.uk/bcj.html.

Start-up finance and resources

Put together a detailed list of what your enterprise needs to get started, and how much it will cost.

This section should as comprehensive as possible, and it's recommended that you seek guidance where needed.

As well as the capital and equipment required to actually deliver your service/product, it's possible that you'll also need finance to cover a wide range of additional items such as:

- VAT registration
- Legal support
- Bookkeeping

- Company registration
- Insurance
- Wages
- PAYE National Insurance
- Pensions
- Rent and rates
- Marketing
- Postage
- Consumables

Financial forecasts

Financial forecasts will enable you to estimate when your enterprise will become sustainable by comparing your estimated expenditure against your projected income. Financial forecasts can be complex, especially if you have no prior experience, and professional guidance is recommended.

It is common for new start-up enterprises to have financial forecasts covering the first three years.

Remember, it's common for businesses to make a loss in their first year and many don't break even for a few years so don't be disheartened by the figures!

SWOT

It's standard practice to include a SWOT analysis of your enterprise in a business plan, which briefly notes its Strengths, Weaknesses, Opportunities and Threats.

If your business plan is reasonably comprehensive by the time you come to do an overall SWOT analysis, then you should be able to complete all sections relatively easily.

Review and revamp

Business plans should evolve and grow and change just like an enterprise, so it's important to review your plan on a regular basis in order to keep abreast of - and if possible anticipate - changes in the market, new and emerging opportunities, or major changes in the competition you face.

Get help and support

Remember - you don't have to do this alone. There are a number of organisations that can help you and this help and expertise is often free.

Business advisors and support agencies can help with feasibility and market research, business planning and financial projections, specialist training, and getting started.

If you'd like to explore your social enterprise idea further, the main agencies that can help you are:

Business support and development

The Social Enterprise Hub Birmingham

A free support and development service specifically for social enterprises. If you plan to set up a social enterprise in Birmingham then the Social Enterprise Hub may be able to help.

It draws together expertise from a number of specialist providers to ensure that you can receive free business support of the highest quality, tailored specifically to the needs of social enterprises.

For new-start enterprises, it has a comprehensive support and development package to help you every step of the way - right from the germ of a business idea, to registering the business and starting to trade.

Contact: David Lane, Programme Manager, David.lane@i-se.co.uk or Eleanor Cappell, Advisor, Eleanor.cappell@i-se.co.uk or call 0121 771 1411

"Remember - you don't have to do this alone. There are a number of organisations that can help you"

Business Link West Midlands

Business Link West Midlands is the business support service for the region and should be regarded as the first stop for anyone seeking social enterprise support.

The organisation offers impartial and expert information, support and advice to help individuals interested in starting their own social enterprise and established businesses looking to boost income generation.

Contact: 0845 113 1234
info@businesslinkwm.co.uk

UnLtd Millennium Awards

UnLtd is a charity which supports social entrepreneurs - people with vision, drive, commitment and passion who want to change the world for the better.

UnLtd provides a complete package of funding and support, to help these individuals make their ideas a reality. There are two award levels: level 1 - up to £5,000; and level 2 - up to £15,000. To find out if you might be eligible for UnLtd's support - which in addition to financial support also includes ongoing mentoring and business support - visit www.unltd.org.uk or contact the Birmingham office: **0121 766 4570** or email **TonyClabby@unltd.org.uk**

Access to finance

Aston Reinvestment Trust (ART)

ART is a CDFI (Community Development Financial Institution), based in Birmingham and established in 1997. ART exists to fill gaps in the conventional finance market. It fills a niche between bank lending, grant funding and charitable donations. Its remit is to help create local jobs for local people.

Contact: Andy King, 0121 359 2444
ART@reinvest.co.uk

The Social Enterprise Loan Fund (West Midlands)

The Social Enterprise Loan Fund (West Midlands) was established in 2002 to provide loan finance for social enterprises and charities throughout the West Midlands in order to help create jobs.

Relaunched in 2008, it now offers three categories of loans: for property purchase/improvements (to £250,000); for other fixed assets (to £100,000); for working capital (to £50,000).

Contact: Avril Howker, 0115 974 6299
a.howker@tsel.org.uk

Further reading

Starting Point Guide

An indepth guide to setting up a social enterprise, produced by Social Enterprise London.

Available to download, free of charge, at <http://www.sel.org.uk/docs/StartingPoint.pdf>

A business planning guide to developing a social enterprise

A PDF guide produced by Forth Sector.

Available to download, free of charge, at http://www.forthsector.org.uk/docs/New_BusPlanGuide.pdf

Starting a co-operative

A PDF guide produced by Co-operatives UK.

Available to download, free of charge, at http://www.cooperatives-uk.coop/live/images/cme_resources/Public/ots/Starting-a-Co-operative.pdf

Set up a social enterprise

An online guide developed by Business Link.

Go to <http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1077475650>

Setting up and financing a social enterprise organisation

An online guide developed by the Department of Health

Go to http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/Browsable/DH_074313