



## **Developing a Business Plan**

### **What is a business plan?**

It's easy to get caught up in the worry that writing a business plan is going to be complicated and time-consuming. The key, however, to demystifying business plans is to focus on the word 'plan'. A business plan is like a map, showing where you are and where you want to go. It can be applied to any proposed activity, large or small, and could be anything from five to fifty pages long. It can be written for a whole organisation or for a specific project.

### **Why do you need a business plan?**

A business plan helps you put on paper how you will turn your vision (or strategic plan) into reality. It normally deals with a timescale of around 3 years (with more detailed planning for year 1). It should be a working document, written in plain English and understandable by all those likely to read it (staff, volunteers, Trustees, funders...).

Having a plan for managing and developing the work and activities you want to carry out is important if you are to have a clear direction and are to be in control of what you do. Your plan will state what you aim to do for the short and medium term, usually covering the next three to five years. It will also contain your mission and vision, an assessment of the environment in which your services operate including who your stakeholders are and what risks are out there. Having a plan helps you to focus and avoid "strategic" or "mission" drift which is often caused by chasing funders' criteria rather than staying true to your own vision.

Developing a business plan can have a number of benefits for a voluntary or community organisation. Internally, a plan will:

- Help you to review your current work
- Bring committee members, staff and volunteers together by developing a shared vision and direction

- Help to establish funding and organisational priorities
- Give you clear targets for future work

Externally; a plan will:

- Help to show the organisation is properly managed
- Show that future ideas have been well thought through
- Is often required by funders (or at least, may help your applications to succeed)

Important points to consider:

- Start planning now; don't wait until you're about to apply for funding.
- The plan needs to be 'owned' by the committee, staff and volunteers, so it is essential that they are involved in the process of deciding what goes in it.
- Draw up a realistic timetable, and agree who is responsible for particular tasks and when decisions will be made. Ensure meetings are productive and that colleagues are clear about how they can contribute to the process.
- Don't make your first business plan too complicated and avoid jargon. Ask someone from outside the organisation to read it. Your plan should be useful, achievable, understandable and realistic.
- Learn from the first plan, and aim to develop and improve on your planning process next time.

### **Structure of a Business Plan**

Your business plan should reflect your own style and meet the needs of the target audience. Although it is a key internal management tool, quite often people from outside the organisation will read your plan so it will need to be readable, as well as informative. There are many different examples, but as a minimum, your plan should contain:

- A one-page summary - possibly the last thing you write, but the first (and perhaps only) page others will read, so it needs to be clear and exciting
- Background - a brief history, local context for the project, present activities, organisational structure, people involved etc.
- Mission statement- your group's aims and objectives
- Plans of what you aim to achieve and when by
- Why - evidence of need
- Resource needs - budgets etc.
- Fundraising strategy
- How the work will be monitored and reviewed

## **Suggested Process for Developing a Business Plan**

### **Stage 1 - Be clear about your purpose and long-term vision**

A good starting point is to develop a short 'Mission Statement'. This should be less than 40 words and in language that is easily understood by service users, funders and everyone within the organisation. It should also, along with your strategic aims and objectives, fit with your governing document.

The mission statement should answer the question 'What difference do we want to make?' It should give a focus to the organisation and set the boundaries of its role, express your commitment and highlight core values. Review your existing statement and consider whether it still expresses your key purpose or if it needs to be revised. You should also use this process as a way of revisiting your organisational values and longer-term vision.

### **Stage 2 - Gathering information**

You will need to gather information about:

- External factors that may affect your future – such as changes in the needs and type of service users, developments in similar agencies and statutory provision, social and economic trends, the growing use of IT
- Internal factors – what you do at the moment, evidence of what works well and what doesn't, the needs and expectations of your service users, how you see this work developing, what your services cost to operate etc.

Make sure you are monitoring and evaluating your work as this will give you vital information. You should also refer to any SWOT analyses that you have undertaken, recording the organisation's Strengths, Weaknesses, Opportunities and Threats.

SWOT analysis, together with other information, such as surveys of service users and relevant policies, can also be included, often as appendices. If your first business plan contains all of the above, and it is clear and well-presented, it will be adequate for most purposes.

The value of the exercise is greatly increased if you can be specific. For instance, 'relying on the answer-phone too much' will help identify ways of overcoming a weakness better than 'poor communication'. In discussing the results of the SWOT analysis, the emphasis should be on 'working together to improve' and asking:

- How can we build on our strengths?

- How can we tackle our weaknesses?
- How can we take advantage of the opportunities?
- How can we minimise the risks posed by the threats

### **Stage 3 - Setting the strategic aims**

In developing a business plan, you should identify the key assumptions you are making using any recent evaluations or trends within your sector. The information you have gathered so far should help to generate discussion about the strategic choices; for example, should we look to expand, which groups should we target, what work should we do more (or less) of?

Everyone in the organisation should be involved in drawing up the strategic aims. They will indicate your clear direction and priorities, although care must be taken not to stretch the organisation unnecessarily – five key priorities is fine.

### **Stage 4 - Setting your objectives**

You should now be able to identify some objectives which will allow you to achieve your strategic aims. You may have heard reference to objectives being SMART. This means they should be:

- Specific
- Measurable
- Achievable
- Realistic
- Timed

Examples of SMART objectives may be:

- To train a minimum of twelve volunteer counsellors by the end of December
- To develop a website so it is on-line by the end of June
- To increase membership of our organisation by 50 within the next 12 months
- As well as setting a realistic 'when by' date, it is also helpful to identify who is responsible for ensuring that the objective is achieved. Objectives should match up with the detailed work plans of individuals and teams within the organisation.

### **Stage 5 - Resources and Finances**

The next step is to cost out the plans you have made, and ensure there will be enough funds to meet the costs involved (staff, equipment, publicity). Budgeting and fundraising are the responsibility of all committee members, not just the Treasurer!

A business plan needs to show that the organisation:

- Is financially viable
- Has made realistic forecasts about its financial future
- Has realistically costed its activities
- Has adequate (but not excessive) funds
- Has financial systems in place to allow it to manage properly
- Has analysed the risk factors which may undermine the plan and suggested how to address these

The business plan should contain the previous year's accounts, a detailed budget (projected income and expenditure, with appropriate headings) for the next 12 months, and outline budgets for the next two years.

You may wish to include cash-flow projections for the next 12 months; even if they are not in your document, you should maintain them anyway, to ensure that, for example, late payment of a grant does not leave you without funds.

A vital part of the planning process is to have a clear funding strategy. Who will you apply to for grant support, how much are you asking for, and what will the money be used for? How long will it take until you hear from the prospective funder and do they have certain deadlines that you need to meet? (While not all this detail may appear in your plan, it is a vital part of your own planning).

If you generate income by charging for services, what is the true cost of providing the service? Are competitors offering a similar service, and how can you realistically assess the likely take-up? Can you allocate some aspects of 'core' services to particular projects or activities?

### **Reviewing the plan**

After putting the work into developing your business plan, do make sure it remains a living, useful document. The plan should include a timetable for review. Many organisations now have a 'rolling' business plan which is reviewed and updated annually. A possible timetable would be:

- Every 3 months: review budget against actual income, expenditure and cash-flow forecasts
- Every 6 months: review and/or redraft individual work plans (thorough supervision/appraisal systems). Review and/or redraft work plans.

- Every 12 months: review and/or redraft SMART objectives. Check strategic aims are still applicable.
- Every 3 years: review mission statement and strategic aims, redraft as appropriate.

Remember that business planning should be a stimulating and motivating process which will help your organisation to be more focussed and effective.

## **Other types of written plans**

### **Strategic Plan**

A strategic plan concentrates on the big picture. It follows directly from your mission statement. It looks over a long term period (often around 5 years). It maps out the key aims of an organisation and shows the overall direction the organisation wishes to take. When making decisions about projects, contracts or funding, your Strategic Plan is the blueprint that helps you make shorter term decisions and keeps you focused on your overall aims.

### **Project Plan**

A project plan(s) may form part of your business plan. A project plan is a detailed plan, concentrating on a specific project or area of work. It will contain very detailed planning for a year (though can cover a period of up to 3 years). A project plan will cover:

- What you want to do (overall aim)
- Why you want to do it (evidence of need)
- How you will do it (the detail of what you will do – e.g. number of activity sessions, number of 1:1 clients you will support)
- Who you will work (clients/project users, but also remember other organisations or partners you will work with)
- What the result will be (what is going to change for your clients/users?)
- How much it will cost (remember to include overhead costs. Be realistic)
- What you will do at the end of the project (your exit strategy – how will you make sure people are supported going forward, or how will you get further funding)
- How you will keep track of your progress (what records will you keep of what you're doing and the difference it's making?)