

Business planning

Whatever type of group, organisation, charity or social business you have it will benefit from spending time to plan ahead. If you are thinking about setting up a new organisation it is good practice to go through the process of identifying need and market research before deciding on the most appropriate legal structure for your work.

This sheet is to take you through the basics of putting a plan together and encourages you to think carefully about the feasibility of what you want to do.

The sheet starts with the two areas many voluntary sector (especially CIC) plans seem to be weak on - evidence of need and market research - then gives an example outline and links for more information.

Start by asking...

Is this a business idea that has commercial market value (selling products and or/ services) or have we identified a solution to a social need or problem that is outside statutory responsibilities and therefore likely to be dependant on donations, grant or trust funding?

For any funding bid or tender you need research to show that:

- ✓ The work is needed
- ✓ That others support it
- ✓ There is a potential market or funding stream

While evidence of need and market research are often lumped together they are fundamentally different.

Evidence of need

You have identified a need – a problem, gap or an issue. Before you go any further you need to establish the scale:

- ✓ Are there local and national statistics to back this up? Make sure they are up to date
- ✓ Have you done any local consultation or research yourselves? This builds credibility
- ✓ Are issues you identify a priority in local or national strategy documents? Find them and save them and make sure you are aware of updates – you need to be able to refer to them when putting funding proposals together
- ✓ Do you have any evidence that your work will address the need? Do you need to test your idea or run a pilot first? It is important to include this in planning
- ✓ How will you monitor your progress in reducing the problem? What are your expected outcomes? Have you thought about how to show longer term impact?
- ✓ Do other services exist locally to address the need – how will you add to or compliment them?

Market research

This is a step on form identifying the need for your work. You need to be clear that people are prepared to pay to show you have a market. Find out:

- ✓ Are people interested? Would they buy from you and use your products/services?
- ✓ How much would they pay and is this profitable? What will it cost to do the work?
- ✓ Find out how to project cash flow and profit/ surplus margins. Even social businesses and charities must generate a surplus in order to be able to manage cash flow and must work out how much money they need to have coming regularly in order to be able to continue working
- ✓ Who is your competition and what they are like. Do this in the broadest sense - analyse those who supply or deliver work that might be considered as an option by your target market – how much do they charge? What do people get for that? How does it compare with what you offer?

Developing a business plan

- ✓ Ask yourself why you are writing it, and who you think will read it
- ✓ Get people involved. It is easier for a small group to work on drafting a business plan but it is important that your whole organisation is involved (trustees, staff, members) and everyone approves the final version
- ✓ Collect information. As well as evidence of need and market research unless you are a brand new organisation you are likely to have a lot of information ready to help put together a business plan.

Your constitution, annual reports, and especially your past funding bids, will all have descriptions of your work, your aims, and your plans

- ✓ Work out what else you need to produce – where are the gaps in information? For example, do you have a clear summary of your organisation’s purpose? Are you clear about your strengths and weaknesses—what are the gaps in your knowledge
- ✓ Provide opportunities for everyone in your organisation to have input to the plan – you could have ‘away day’ meetings, use existing meetings, or ask for individual comments. However you include people, it’s always helpful to ask for contributions to specific questions, or by working on specific exercises
- ✓ Write the plan. Your business plan doesn’t need lots of detailed descriptions, or beautifully constructed sentences. It’s better to have a short, snappy plan, that uses bullet point lists, and tables to set out what you plan to do. A business plan is an internal tool for your organisation , so it should be easy to use. You can make it look prettier later if you have to send it to a funder
- ✓ Agreement. Get your trustees/ management committee to agree the plan and ‘sign it off’ They should make sure that what you propose fits your organisations aims
- ✓ Review. Ideally, your business plan will be a working document that gets updated every year as part of your organisation’s regular planning. Business plans are useful tools for management committees/ trustees to ensure that work is on the right track and you are achieving what you set out to achieve

Suggested template for a business plan

Executive summary summarise your plan. Keep it brief but remember to sell your proposals including key points about the need and market for the work.

Organisation summary outline your aims, objectives and legal status, the organisations and people you work with. It should include an explanation how your work has been developed so far and the background to your current strategic direction. You can refer to findings from planning and mapping exercises which helped you explore the current situation such as SWOT, Boston Matrix etc. here if appropriate but put detail in the appendix. This should also be brief.

Evidence of need (see detailed notes at the beginning of this sheet).

Market research (see detailed notes at the beginning of this sheet).

Proposal What exactly is it you are planning to do? What will you achieve what difference will it make to the need you identified? Refer to Outcomes/Results, Impact/Profit.

Management and governance how you operate and make decisions. The experience and expertise of your board of directors/trustees. Include your organisational chart.

Delivery outline information about your business/ organisation and how it will achieve results, including:

- √ Services/activities
- √ Policies and procedures (including any quality assurance model used)
- √ Summary of your action plan/timeline

Resources A description of the staff, management, supervision, partnership and resources you will need to do the work and how they will be managed.

Financial appraisal and budget explanation of all the financial implications, including:

- √ Cash flow forecasts
- √ Achievable sales forecasts
- √ Set up costs
- √ Income and expenditure requirements (budgets)
- √ Any assumptions made

Marketing and funding strategy How will you publicise your business or project, raise your profile with appropriate funders/buyers, establish a credible presence in your area/ field of work and make people want to buy from you or donate to you?

- √ Do a funding source analysis to establish potential sources of funding/income
- √ Decide how and when you going to approach potential investors/funders?

Risk analysis assessment of the risks associated with the plan and any threats to it.

Supporting information and appendices include key supporting information, including: your governing document, workplans, milestones, timelines, SWOT and other exercises.

Help from Newcastle CVS

- ✓ Ask us about **business planning**. We can help.
- ✓ Ask Ellison Services, our community accountancy service, about **cash flows and financial planning**. Contact the team 0191 232 7445 (option 2), ellisonservices@cvsnewcastle.org.uk or www.cvsnewcastle.org.uk/our-services/ellison-services
- ✓ Newcastle CVS **information sheets**

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