

BUSINESS *in the*

COMMUNITY



PREPARING A BUSINESS PLAN

Every voluntary and community organisation can benefit from a written business plan which sets out the direction and planned performance of the organisation.

A business plan is a vital ingredient when preparing proposals for potential funders.

Why is business planning necessary?

The planning process gives managers, management boards and trustees the opportunity to stand back from their work, assess the achievements of the organisation and set objectives for future performance and development. It allows them time to evaluate their working environment, assess themselves and others and review the economic factors affecting their organisation.

For most voluntary and community groups, planning increases efficiency and financial stability. Business planning can have more specific objectives such as:

- helping management anticipate and respond to change
- planning cash flow or raise funding
- meeting the requirements of a parent or funding body
- preparing the way ahead at the time of significant structural change, perhaps during a management review
- assisting a survival strategy, perhaps in the face of recession
- supporting the transition from public funding to independent status

The Starting Point

A logical starting point for the business planning process is to consider the overall strategy for the organisation. The strategic objectives represent the long-term aims for the organisation and its management board/trustees, covering both where the organisation wants to be and what steps need to be taken to get there.

Preparing the business plan is an opportunity to involve all interested parties.

Content

The content of a business plan needs to be tailored to suit its purpose. A plan for raising funding will, for example, would have a strong emphasis on finance and cash flow.

A business plan should generally include:

Executive Summary

The executive summary is a short punchy summary of the plan and should clearly state the purpose of the plan, for example to raise additional funding.

Brief Background

The background need not be detailed but should explain the history and development of the organisation and its objectives.

Sector Analysis and Organisational Approach

Sector analysis and organisational approach cover market research, organisational style, marketing promotion and management control. This section should begin with an appraisal of the sector in which the organisation operates and then deal with the organisation's approach to the specific issues identified:

- market research information from external sources should be used wherever possible as opposed to internal perceptions and ideas
- any approaches adopted by others should be analysed and evaluated together with any factors which differentiate the organisation's approach
- any proposed major changes to existing operations should be supported by an explanation of how they can be achieved

Activities and Services

The activities and services should be summarised, including planned developments. A subject of growing importance is the environmental impact of the organisation and its activities. National standards e.g. IIP and quality measures are also important.

Human Resources

The plan should include a review of the employees, including the management team;

- remember that the management team are the key to success
- any skills shortages or gaps in the team should be identified together with action to recruit or train
- include a note of appraisal, training and development policy.

If the plan is to raise funding, the quality and effectiveness of management is often regarded by funders as the single most important factor in appraising any proposition.

Financial Commentary and Projections

This section should cover projections of total funding requirement, spend and cash flow. It should include for comparative purposes the end results for the previous two years. The projections must flow from the rest of the plan. The following points should be noted:

- detailed financial forecasts are difficult to absorb quickly
- forecasts beyond the short term should not be over detailed, for example when looking two or three years ahead
- clear assumptions should be made and these should be consistent with the rest of the plan. For example, if market research suggests a particular pattern of development, the same assumption should be used in the financial projections
- if funding is required, reflect this in the projections. Make realistic assumptions of other funding sources
- include sensitivity analysis to demonstrate how sensitive the figures are to changes in the key factors, for example a shortfall from another key funder.

Performance Review

The production of a business plan should enable any organisation to monitor and evaluate its performance with a view to introducing any required changes to its activities. The business plan is in this sense a working document.

Activities or projects included in a business plan should therefore:

- have measurable outputs
- be within appropriate timescales
- possess identifiable management responsibilities
- be costed

Presentation

The general rules of presenting a business plan are:

- a business plan should be easy and interesting to read, so avoid excessive detail or length
- insure the plan meets the needs of its users
- one person should write the plan to ensure consistency of style
- although the executive summary is at the beginning of the plan, it should be written last
- do not leave any apparent questions unanswered or state any unsupported conclusions