

THE BASICS OF BUSINESS PLANNING

This fact sheet:

- **Outlines what a business plan would usually contain.**
- **Briefly describes the different components to a business plan.**
- **Provides some examples of possible layouts for strategic aims and objectives, workplans and budgets.**

1. Introduction.

This fact sheet provides a basic description of how to put together a business plan and examples of what to include in it. It suggests good practice, though these methods are by no means exhaustive. Sources of further information are included at the end of this fact sheet.

A business plan can be produced for an entire organisation, or for a particular project within that organisation's work. So you might have a business plan covering the organisation's entire activity, and have a separate business plan for a project which is intended to run for 1-2 years.

A business plan sets out your organisation's aims and objectives over the next three (or sometimes five) years, and how it intends to achieve them. The purposes of a business plan are:

- To provide direction, focus and consistency.
- To ensure that your work is strategic, in that it relates to what is happening in the world outside.
- To help focus resources efficiently and effectively.
- To provide a framework for monitoring and evaluating progress.
- To help make the case for your organisation and its work.
- To show how different roles fit in and activities contribute.

The plan, particularly the external analyses (see below), should be formally reviewed annually. It should be a working document which may be used to keep track of how you are doing and may be changed to meet new needs or circumstances. There is no point spending ages developing one only to put it at the back of the filing cabinet until the annual review!

2. Business Plan Structure.

(See also Appendix 1).

i. Executive Summary.

The business plan should start with an Executive Summary setting out the main points. This should be no longer than four sides of A4. You might want to publish this as a leaflet, as most people won't need or have time to read the whole thing. The Executive Summary should be written last and should be kept brief.

ii. Mission, Values and Core Business.

It is very important that Management Committee members and staff share the same understanding of your organisation's mission, values and core business.

Mission Statement.

Your organisation's mission statement needs to convey *in one or two sentences* what your organisation exists to do. It needs to encapsulate:

- Your vision and long-term goal.
- Your core business (main area of work).
- Your beneficiaries (who you work for, in whose interests).
- How you work (e.g. providing advice, training, education).
- What geographical area you cover (e.g. Glasgow, Scotland, UK, etc).

It also needs to make clear what your organisation does that others don't - everything your organisation does should be in furtherance of its mission.

Values.

Your organisation's values should be summed up in a few bullet points. They might be about the value of all human life, importance of equal opportunities, empowerment, etc. Everything your organisation does should reflect its values.

Core Business.

It is useful to pin down the main activity of your organisation and what type of organisation it is. This is sometimes harder than it seems, as organisations often do a mixture of things. Your organisation might be primarily about one issue, e.g. community care, benefits, transport or community development. It might focus on a particular impairment group or locality, and cover a range of issues affecting them. It might be a campaigning organisation. It might provide services to individuals, or to organisations (the latter is known as a 'second-tier' organisation). It might concentrate on providing information and advice, or on carrying out research. Whatever it is, it is important to be clear.

You could also include background information about the organisation such as when it was founded, its legal structure, numbers of staff and volunteers etc.

3. Analyses of Environment.

Before selecting the areas on which you are going to concentrate, it is important to have a thorough look at the external environment in which you will be operating, the opportunities and threats that this presents, and your organisation's ability to respond. It is a good idea to involve your Board, any members of staff, and even key external 'stakeholders', i.e. people with an interest in your work. These analyses are often referred to using acronyms, as follows:

i. PEST.

It is usual to start with a PEST. Sometimes two other categories will be covered, namely 'legal' and 'environmental'. This turns the PEST into a PESTLE!

P = Political – what is happening/ likely to be happening politically, (e.g. forthcoming elections)? How will this affect your organisation and its work?

E = Economic – what are the likely economic trends and their implications?

S = Social – are there any changes in demography (make-up of the population), or changes in social attitudes (e.g. towards lone parents, disabled people, marriage, paid work)? What do these mean for your organisation and its work?

T = Technological – are there any technological developments on the horizon (e.g. IT, aids and equipment, genetics) which have implications?

L = Legal – is there any new legislation that will effect your work, (e.g. the Health and Community Care Act)? Legal and political considerations may often be similar.

E = Environmental – are there any green issues (e.g. recycling) that need to be taken into account?

ii. SWOT.

Having carried out a PEST (or PESTLE), you can then move on to a SWOT! Some things identified from the PEST/LE will be more relevant to your organisation than others. Even if most are relevant, it is important to narrow it down, or you will lose focus and direction. Doing a SWOT analysis helps you start prioritising areas to concentrate on.

S = Strengths – what are your organisation's or project's strengths when it comes to responding or intervening? What makes it a strong case for funding?

W = Weaknesses – what are your organisation's weaknesses? e.g. a lack of finance or a lack of staff to develop the work of the organisation.

O = Opportunities – what opportunities does the external environment present to your organisation, or for its beneficiaries? e.g. a change in government policy or legislation, or the availability of new premises.

T = Threats – What could threaten the organisation or project or prevent it from happening? E.g. the need to find ongoing running costs, or some opposition from parts of the local community.

In practice, it can make sense to look at opportunities and threats before strengths and weaknesses.

iii. Competitor/Collaborator.

Another useful way to prioritise is to look at who else is working on the same or similar issues, or providing the same or similar services for the same groups, in the same geographical area as your organisation.

Obviously, if others are already working effectively on something, you need to ask (as any potential funder would) why you would want to devote resources to it? What could you add? What do you need from others? What is unique about your organisation? What is its Unique Selling Point (USP)? Identifying what you do, or could do, that is unique also means you can make a more convincing case to funders.

Whether other organisations working in the field turn out to be competitors or collaborators often depends on how you approach them. Wherever possible it is best to find ways of working collaboratively. This means resources can be better focused to complement rather than

duplicate, voices are strengthened and all are better informed by different perspectives. Funders also tend to be interested in partnership working.

4. Strategic Aims and Objectives.

i. Strategic Aims.

Having done the above analyses, it should start to become clear where you need to focus your attention over the period covered by the business plan. It is best to identify no more than six areas, and ideally no more than four, otherwise you risk losing focus and implementation becomes unwieldy. These need to be turned into aims. Aims need to be **SMART** (yes, another acronym) standing for **S**pecific, **M**easurable, **A**chievable, **R**elevant (or **R**ealistic) and **T**ime-tabled.

ii. Objectives.

In order to achieve each aim, there are various things that you will need to do. These also need to be expressed as **SMART** objectives. Again, don't have too many – a maximum of six objectives per strategic aim is probably a good rule of thumb. In addition, you need to consider what tasks need to happen when. See Appendix 2 for an example of how this can be presented. Once all the objectives listed under an aim have been achieved, the aim itself should have been achieved.

5. Finances.

i. Financial Plan.

Everything needs to be costed and income and expenditure needs to be identified. As it is often the case that future funding is insecure, sometimes it can help to have two sets of figures for years 2 and 3 presented next to each other – a 'probable' and a 'possible'. Year 1 is simply your (hopefully already existing) annual budget documents. There are different ways in which you can organise financial information, e.g. capital and revenue, core and project, or around particular areas of activity. See Appendix 3 for an example.

ii. Fundraising Strategy.

Once you have clarified what you want to do, why, when and how much it will cost, you can move on to develop a fundraising strategy. It is always better to start with what you **want** to do, rather than decide what

to do because funding opportunities exist. What you end up doing is likely to lie somewhere in between.

In drawing up a fundraising strategy, again you need to define SMART objectives and then research possible funders - e.g. Scottish Executive, local authorities, Community Fund, Trusts, European Social Fund, and sponsors who might be willing to fund elements of your organisation or project, such as events or publications. Each will have particular criteria and interests. You need to select whom to target according to how well these fit with your work, or your work can be packaged to fit with them. For further information, see Fact Sheet 8 on fundraising.

iii. Workplan.

All the above needs to be pinned down into a work plan. Each member of staff then needs their own work plan, so that they know what they are doing, when and why. Obviously, from the above exercise it should become clear what staff you need. There are different ways you can set out a work plan. See Appendix 4 for an example.

6. Other Things to Include.

You might also include:

- A brief outline of Governance (Management Committee/ Board), Management and staffing structures or proposed structures, and job descriptions if it is a new organisation.
- Other related strategies such as marketing, publicity, communications, media and parliamentary strategies.
- Any research or feasibility study you may have carried out to identify need/ viability.

7. Further reading

SCVO Guide to Constitutions and Charitable Status:

Module 1 – Choosing a Legal Structure.

Module 2 – Forming a Voluntary Association.

Module 3 – Forming a Limited Company by Guarantee.

Module 4 – Forming a Trust.

Module 5 – Charitable Status.

Published by Scottish Council for Voluntary Organisations (SCVO), 2004
- ISBN: 0 9546930 0 0 – Cost £25.00 for voluntary organisations/ £35.00
others.

8. Further Information.

UPDATE, Scotland's National Disability Information Service.

27 Beaverhall Road
Edinburgh
EH7 4JE

Tel: 0131 558 5200
Fax: 0131 558 5201
Minicom: 0131 558 5202
Email: info@update.org.uk

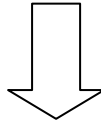
ACKNOWLEDGEMENTS.

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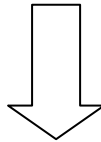
Appendix 1

OUTLINE OF A BUSINESS PLAN STRUCTURE

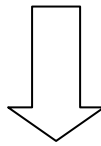
**MISSION STATEMENT
VALUES & CORE BUSINESS**



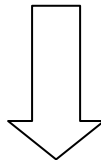
Analyses: PESTLE, SWOT, Competitor/ Collaborator



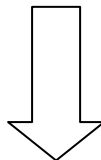
Strategic aims x 6 (maximum)



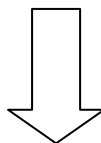
Objectives under each aim



Financial Plan



Fundraising strategy



Workplan

EXAMPLE OF HOW AIMS AND OBJECTIVES CAN BE PRESENTED:

AIM 2: TO PROVIDE HIGH QUALITY TRAINING FOR DIRECT PAYMENTS RECIPIENTS IN DUNDEE

OBJECTIVES:	TASKS YEAR 1	TASKS YEAR 2	TASKS YEAR 3
2.1 To ensure training meets the needs of recipients	Carry out a needs analysis Establish course evaluation procedures	Review evaluation procedures Overall evaluation of courses Identify external changes with implications for support needs	Overall evaluation of courses Identify external changes with implications for support needs
2.2 To draw up, promote and deliver training programmes	Draw up a programme in view of the needs assessment Develop and implement a marketing strategy Identify accessible venue Deliver one training programme	Revise programme Offer new courses on 2004 changes Review/ revise marketing strategy Deliver two training programmes	Revise programme Review/ revise marketing strategy Deliver two training programmes
2.3 To establish and maintain efficient administrative systems for training delivery	Set up a trainers' database Set up a database of course bookings	Maintain trainers' database Maintain course bookings database Use course booking info for marketing purposes (NB data protection?)	Maintain trainers' database Maintain course bookings database Use course booking info for marketing purposes

Appendix 3

Sample Project Budget

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/4</u>
Capital Expenditure			
Information Technology	xx	xx	
Office furniture/eqpt	xx	x	
Premises	xxx	x	
<i>sub total</i>		x	x
Staff			
Recruitment	xxx	x	
Salaries etc	xx	xxxx	xx
Training	xxx	xx	
Travel	xxx	xxx	
Freelance/contingency	xx	xx	xx
<i>sub total</i>	xxxx	xxxx	x
Overheads			
Rent/maintenance	xxx	xxx	xxx
Insurance	x	x	x
Repairs and renewals	x	x	xx
IT/web site	xx	xx	xx
<i>sub total</i>	xxx	xxx	x
Project			
Events	xx	xx	xx
Telephone	xx	xx	xx
Printing/stationery/newsletter	xx	xx	xx
Postage	x	x	x
<i>sub total</i>	xxx	xxx	xxx
Miscellaneous			
Inflation (excl.salaries)	x	x	x
<i>sub total</i>	xx	xx	x
Expenditure total	xxxx	xxxx	xxx
Grant income	xxxx	xxxx	
Total Income	xxxx	xxxx	xxxx

EXAMPLE OF HOW A WORKPLAN CAN BE PRESENTED:

OBJECTIVE: 2.3 To establish and maintain efficient administrative systems for training delivery

TASK	START AND FINISH DATES	WHO	TARGETS/ OUTPUTS/ PERFORMANCE INDICATORS	WHO TO MONITOR AND EVALUATE
Set up a trainers' database	4/02-10/02	IT worker Training Admin	Database identifying contact details, expertise, courses delivered	IT worker's line manager
Set up a database of course bookings	4/02-10/02	IT worker Training Admin	Database identifying contact details, course/s booked Reports on course bookings	IT worker's line manager
Maintain trainers' database	4/03 onwards	Training Admin	New trainers added promptly Details kept up-to-date	Training Admin's line manager
Maintain course bookings database	4/03 onwards	Training Admin	Details kept up-to-date Course programme, etc sent out one week before course	Training Admin's line manager
Use course booking info for marketing purposes	4/03 onwards	Marketing worker Training Admin	Fed into segmented marketing database Used for targeted mail-shots Responses recorded and evaluated	Marketing worker's line manager