

good on paper – how to write a business plan

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HOW TO WRITE A BUSINESS PLAN

1 INTRODUCTION

These notes consider:

- What is a Business Plan?
- Why write one?
- What should it contain?
- Practical tips and resources

Note: Only you can write your Business Plan!

2 WHAT IS A BUSINESS PLAN?

2.1 The journey - the route - the map!

2.2 If someone was to go on a long journey, they would not think of embarking on it without first working out a route and second taking a map to guide them along the way. In the same way, consider a Business Plan ("BP") as formally setting down the journey ('we are here now and we want to be there in x years time '), the route (how you will get there), and the map (details of how you will achieve this, with some contingency options and guiding principles).

2.3 If you would not go on a long journey without these tools, why embark on a big project without equivalent tools?

2.4 Countless data and surveys in the commercial world show that the successful business are those that bother to prepare a BP and run their business by it.

2.5 *"Failing to plan is planning to fail"*

3 WHY WRITE ONE?

3.1 Business Plans are prepared for a variety of reasons. In the charity sector, these may include:

- Grant applications
- Loan finance (including soft loans)
- Fundraising (note: key donors are discerning)
- To clarify vision (going beyond the big picture)

3.2 *Funding (grants and loans) are the most common, but the least important reason for preparing a Business Plan!*

3.3 So why write one?

3.3.1 Good management!

- The 'internal' Business Plan
- Minimise risk of failure
- Show professionalism
- A discussion document

- Advisors, sounding boards
- Strengths and weaknesses

3.3.2 Clarify ideas and vision

- Putting vision into practice
- Provides focus:
 - God given vision
 - Activity v productivity ... God's view of His calling to you!
 - Some activities may belong in someone else's vision
- Strategic focus
 - Time frames (ST, MT, LT?)
 - What is achievable and when

4 HOW TO WRITE IT

4.1 Approach:

4.1.1 Who is the target reader?

- Customise
- What is important ... to them?

Example 1 Primary interest of reader:

- Commercial lender ...
 - Financial return
 - Security of capital (risk, ability to repay)
 - Commitment of management
- Christian grant funder
 - Effective outcomes
 - Identity with key vision
- Government Funding
 - Social outcomes
 - Political imperative
 - Efficiency of the applicant

Example 2 Accounting information:

- Loan application to Stewardship
 - Charity accounting rules are well understood
- Loan application to High Street bank
 - "What profit will you make?"
 - "Yes, but what exactly is a Statement of Financial Activities"?

4.1.2 Ask yourself the tough questions:

- Before someone else does
- Once written, have the BP critically appraised by a trusted and experienced colleague

- No need to cover everything in the BP – just have the answers ready

4.2 Length:

- What is it for?
 - Suggestions:
 - Internal = brief
 - Modest funding = more comprehensive
 - Major funding/loans = comprehensive
- Keep effort and detail in perspective
- The idea is to powerfully condense the message that you want to send the reader

4.3 Content:

- Typical section headings – See Appendix
- General tips
- Tips for each section

4.4 General tips

- Most people will not read the BP cover to cover
- Need to catch attention in first few paragraphs
- Motivational, compelling, exciting, passionate, not boring!
- Ask trusted and experienced friends to rate the BP especially the Exec. Summary
- Keep the reader in mind when preparing each section

4.5 Contents page

- Free of mistakes!
- Check page numbers immediately prior to release
- Uncluttered
- Preferably on one page
- Covers all key sections / sub-sections of the main text
- Good 'signposting' (what does the reader want to see?)
- Think about design and layout

4.6 Executive Summary

- Catch the reader's attention immediately
- Clear and focused
- Compelling and exciting
- Generates enthusiasm
- Keep in mind who the target reader is
- Language! Avoid evangelispeak
- 1 or 2 pages only
- Concise and to the point

- Demonstrable and desirable outcomes
- Claims and opinions clearly supported (be realistic!)
- Believable financial data that knits together with the rest of the Plan

4.7 Mission and Vision

- M&V define:
 - where the organization is going
 - the guiding principles as to how it will function
 - what you are about
 - what you believe in
 - what you intend to achieve
- Vision:
 - Long term 'dream'
 - Acts as a driver / motivator
 - Just out of reach!!
- Mission:
 - SMART
 - Challenging but focused objectives
 - Show you understand your organization / its business
- M&V Statements:
 - Underpin the whole Plan. Make your M&V stick in the reader's mind
 - Each word powerful and meaningful
 - Involve the whole 'team' in formulating it
 - Make it a firm statement of intention
 - Motivational, compelling, exciting, passionate, not boring!
 - Tone that reflects your culture
 - Don't regurgitate other parts of the plan
 - Economy of words

The BP should develop because you have a mission, not that you have to make a mission statement in your Business Plan.

4.8 Description of Organisation

- A *very brief* who, what, why, where, when and how of your organisation
- Trust or company limited by guarantee?
- Who you are and what you are about
- History (if relevant). When formed, achievements and milestones
- How you reached this point and where you intend to go
- Strengths and (honest appraisal of) weaknesses ... and steps being taken to combat them.
- What you are seeking to accomplish over 1, 3, 5 etc. years.
- Why you need the funding, loan etc.

4.9 Return for 'stakeholders'

- What will the positive outcomes be?
- How will loan repayments be financed (n.b. this is essentially a cash issue)

4.10 Market Research

- Is there a (local) need for what you are offering?
- How have you *objectively* established that need?
- Who has been consulted?
- Who are the beneficiaries?
- Has the range of beneficiaries been limited?
- Faithworks tool: Community Audit
- Who else is already doing what you intend to do?
 - Competition or collaboration?
 - Kingdom mentality
 - Strategic advice (100 Ways to Transform Your Community)

4.11 Marketing Plan

- How will you get your message out?
- What relationships have you built with third parties who can promote your work?
- What relationships do you have with the (especially local) media
- What relationships do you have with local & national Government
- Collaborative relationships?
- Commercial partnerships?
- Venture philanthropy?

4.12 Resources

- How are you going to achieve all you are setting out to do?
- People needs
- Equipment needs
- Specialised experience?
- What professional advice have you / will you need to call on? Faithworks: Skills Bank Consultants
- Faithworks tool: Church Audit
- Financing
 - Funding bodies
 - 'Soft' loans, affinity loans

4.13 Management Team

- Whose vision and drive is behind the project?
- Who are the key people who can impact the success of the project?
- Specific team members (3-5 people):

- Title
- Duties and responsibilities
- Previous relevant experience
- Previous successes
- Is there a track record here that can predict future success?
- Personal traits, abilities, characteristics, experience that enhance success?
- Education ... of limited interest unless recent or directly relevant
- Where relevant, include key CV's in an Appendix
- Trustees:
 - Who are they?
 - What is their background?
 - What role do they have and what contribution do they make?
- Consultants:
 - Are there any consultants that are key to your success?
 - Do particular consultants add credibility to your organisation?
- Base your team (and trustee) choice on what expertise / experience a person can bring and contribute rather than because you know them or they are willing.
- Experience and depth of your managers should meet or exceed funders' expectations.
- Diversity of the management rather than clones!

"Given the choice between an excellent [business] concept with second-rate managers and a mediocre [business] concept with top-notch managers, investors will prefer the latter"

4.14 Operational Plan

Example areas to consider:

- Where will the project be located?
- Buildings:
 - now and into the medium term
 - advantages of particular buildings
 - step up costs as growth demands new premises?
- Equipment
 - now and into the medium term
 - purchase, lease or other (e.g. gift)
- People resources:
 - Employed? (PT or FT)?
 - Volunteers (how certain are you of securing volunteer help, or will you need a contingency plan to employ or contract in help?).
 - Child Protection issues?
 - Skills needed
 - Recruitment processes
- Regulatory issues?
- Quality control issues?

- Insurance coverage:
 - Costs (especially liability cover).
 - Can you get cover?
 - Will you be able to afford it?
- Risk Management processes

4.15 Financial Projections

- As a minimum, should cover:
 - Forecast receipts and payments accounts
 - Forecast comprehensive Statement of Assets and Liabilities
 - Last 3 years actuals, plus minimum 3 year forecast
 - Above only permissible for charities with gross income up to £100,000.
- Ideally, should cover:
 - Forecast Statement of Financial Activities (instead of R&P accounts)
 - Forecast Balance sheets
 - Forecast *monthly* cash flow
 - Last 3 years actuals, plus minimum 3 year forecast
 - Use the above to establish the need for grant, loan finance etc. (ie do not include the finance that you are applying for).
- Clearly set out your key assumptions in preparing forecasts. Make sure that they are reasonable, sensible and consistently applied.
- If you are applying for loan finance, the above demonstrate ability to repay.
- Figures should flow from and be consistent with the rest of the BP
- Bankers, other lenders and major grant funders will be familiar with standard accounts layouts. Don't invent your own!
- Commercial lenders and some grant funders will not necessarily understand *charity* accounting, which is a specialist discipline.
- Consider whether you need to calculate *break even* points.
 - Does this indicate e.g. a volume of sales that is reasonable?
 - What are the risks of not achieving this?
- Have you considered other "what if" and contingency scenarios?
 - If so, make clear and present the worst case position
 - Make clear the 'sensitivity' of achieving a better outcome
 - Quantify the most likely outcome
- What other sources of funds have been promised besides the one you are applying for?
 - Are these contingent, uncertain or certain?
 - What is the timing of receipt?
 - Where receipt is fairly certain, is this reflected in the forecasts.

4.16 Appendices

Examples of information to be included here:

- Include CV's of key management and staff
- Include supporting detailed data or documents

- Legal documentation
- Letters of support from public figures
- Press cuttings

5 Resources

5.1 Much is available on the Internet, which is a good start point for further information. Take care when using any US source material. Filter it for the UK and bear in mind that books recommended may not be available in the UK (n.b. Amazon etc.)

5.2 Two very useful websites:

www.business-plans.co.uk

Site run by Francis Miller of Miller Consulting. His focus is on 'internal' Business Plans, but there is a reasonable level of free information, including a book list that provides helpful descriptions of each book and suitability for enquirers at different levels of experience. Also has a page linking to other web sites, including providers of Business Planning software.

www.bizplanit.com

A US Business Plan consultancy. Very detailed information including a free virtual Business Plan.

APPENDIX

The following are suggested sections to be included in a *comprehensive* Business Plan:

Contents (*)
Executive Summary (*)
Mission & Vision (*)
Description of Organisation
Stakeholders' return
Market Research (*)
Marketing Plan (*)
Resources (*)
Management Team (*)
Operational Plan (*)
Financial Projections (*)

Appendices

Sections marked (*) should normally be included in most Business Plans, including internal ones, although the level of detail in each may vary considerably according to purpose. Some sections (such as Resources and Operational Plan) may be combined in shorter, less comprehensive Plans.