

Why do you need a business plan?

Starting and growing a social enterprise is similar to going on an inspiring but challenging journey. You wouldn't start such a journey without thinking about where you want to get to and how you are going to get there. This means that you must first be clear about why you want to become a social entrepreneur, whether you have what it takes, and what you want to achieve.

Before embarking on your journey, you need to have an understanding of how much it will cost, how long it will take and who you might travel with. You should also consider contingencies in case things go wrong. This may be why you are looking to develop a business plan: you want to have a robust strategy for your enterprise and need to be able to demonstrate this to others.

But you may also think that social entrepreneurship is about passion, determination and vision; that opportunities and challenges will present themselves along the way and you will be able to adapt and react instinctively. You may feel that things are bound to change as you grow your social enterprise, or that your idea is still evolving. So is planning really that necessary? The simple answer is: yes.

Developing a business plan is about understanding your idea and your market inside out as much as it is about writing things down. Planning is an ongoing process about constantly anticipating, reviewing, adapting, and reacting to your environment. All these factors make business planning more important for the survival of your enterprise.

What can a business plan do for you?

It is essential that the person or team responsible for managing and growing the enterprise is heavily involved in writing the business plan. Managing an organisation is tightly linked to its strategy - you cannot do one without the other.

The process of developing the plan is incredibly useful and will assist you with:

- clarifying what it is you want to do and why you are a social enterprise
- developing a better understanding of your organisation
- ensuring you understand and are up-to-date with your market
- creating a strong commitment with your stakeholders

A business plan is effectively your map for achieving your vision. It provides the link between your strategy and your required actions. An effective business plan provides an operational framework that makes sure decisions about products, services, customers and human and financial resources allow you to deliver your vision and mission.

What you need to do before writing the business plan

If you are developing a business plan for the first time or starting a new social enterprise, there are a few important things you should consider.

Firstly, make sure you have the right mind-set to set up and run a social enterprise and you understand what it involves. To give you an idea, read our guide about [Becoming a social entrepreneur](#).

You should reassess your enterprise idea honestly and objectively to make sure it has business potential. Our guide on [First steps](#) will help you go through this process.

You should also start thinking about the different types of [Legal structures](#) that are available to social enterprises and what each option involves. This is important whether or not you have already registered your company. The decision about your legal structure must be informed by your business planning

process and by the operational, managerial and financial implications that come with different legal structures. Therefore, it is important that you develop a robust strategy before making the final decision about your legal structure. Before settling on the legal structure you should consider your short-term requirements, but also consider what you are looking to achieve in the next few years.

If you are a charity looking to set up a social enterprise, please read our guide on [Charity trading](#) for information on what you can and cannot do as a charity.

Whether you are a start-up or an existing organisation, you should have carried out your market research and developed an understanding of what you are going to sell or provide to your market. You cannot write a business plan without defining your products and services and being positive about what your enterprise does.

On the other hand, the strategy surrounding the business plan is a work in progress. As you write the business plan, some things will change, others will be clarified. A business plan is going to be an ongoing process that you review regularly and adapt to new opportunities, threats or other changes, so do not worry if things evolve as you go along.

What can a business plan be used for?

Internally

- For the founder of a social enterprise to articulate what it is they want to achieve. It allows thinking to be focused. The plan then acts as a checklist or guide against which to measure future activity.
- For the employees of a social enterprise to get motivated and buy-in to the future strategy of the enterprise. It also acts as a guideline against which activities and implementation are undertaken.
- For internal stakeholders such as investors, trustees or board members to create or reinforce confidence in the management and the proposed strategy.
- As a resource to refer to or use when making funding applications.
- Within larger organisations as a document to convince budget holders to support and fund your department or project. The internal budget holders could be senior managers or trustees.
- To identify risks and allow you to create strategies to prevent or minimise the risks.
- To help you plan, deliver, measure and communicate the benefits, outcomes and social or environmental impact that your enterprise has created or contributed to.

Externally

- The funding or finance requirement is probably the greatest driver for people preparing business plans.
- It is also a requirement by commercial lenders (e.g. banks) and investors to understand the enterprise and the logic supporting the request for finance.
- Though grant funders tend not to ask for business plans the funding application is effectively a synopsis of the business plan to justify the grant requested.
- For potential partners and collaborators to better understand you and your enterprise and why it would be worthwhile engaging with you.
- For influencers and networkers that could potentially promote you to other supporters, partners and funders.

Things to keep in mind

- Your business plan is a communication tool for you and for your enterprise. It may have a very broad readership of people internal and external to your organisation. You need to be clear and concise. Any assumptions you are making about your business, your market, your operations, etc must be reported.
- Do not assume the reader of your plan knows anything about your enterprise or your market beyond what you have included in your plan. Many plans confuse their readers because the author is so familiar with the content that they take for granted everyone else is in the same position. Ask other people to give feedback about your plan.

- A business plan may be the only document or information that an external reader, for example a lender, investor or customer, has seen about you. Their decision to support you or work with you will be based on it. They will be judging the enterprise and your management ability on this one document.

Things you should do

- Include a table of contents and page numbers.
- Try to keep the plan to fewer than 20 pages (not including the appendices).
- Use bullet points and numbered lists instead of long paragraphs, or to clarify specific points.
- If possible include diagrams, graphs and photographs.
- Get someone who knows a little about your enterprise and your market to critically read your plan, and make the required changes.
- Keep to the point and ensure what you are writing is relevant for the particular section.

Things you should not do

- Do not confuse the reader.
- Avoid long sentences.
- Don't use technical words and unnecessary jargon. If you have to use a technical term, define it.
- Avoid acronyms (initials) but if you have to, define the initials and their meaning.

Final tips

Feeling daunted by the task of writing your entire business plan? Don't think you have the time to complete the plan? At the very least try to ensure you cover all the main elements of your strategy. For example, write a few bullet points under each section of the business planning toolkit. Once you have achieved this, it will be easier to see the whole picture, realise what you need to work on and start to fill in the gaps.

Another tip many entrepreneurs find helpful, especially at the early stages when many variables are likely to change, is to present your business plan as a PowerPoint document. This can be easier to review, more achievable and faster to complete. However, bear in mind that you will only be able to produce a robust business plan if you have got all the basics right and done your research. Avoid the pitfall of developing a business plan which is full of jargon or too technical for people. Use plain language. Keep to the essential details so people don't fall asleep while reading your document!

Further information

Read our guide to Becoming a social entrepreneur:

<http://www.blondon.com/SocialEnterprise/Whataresocialenterprises/Becomingasocialentrepreneur.aspx>

Read our guide on First Steps:

<http://www.blondon.com/SocialEnterprise/SettingUp/Firststeps/Firststepstorunningasocialenterprise.aspx>

Read our guide on legal structures:

<http://www.blondon.com/SocialEnterprise/Legalstructures/SELegalStructures.aspx>

Read our guide to Charity Trading:

<http://www.blondon.com/SocialEnterprise/Legalstructures/CharityTrading.aspx>

For help developing a business plan, access our Business Planning Tool:

<http://www.blondon.com/SocialEnterprise/Businesstoolkit/SEBusinessToolkit.aspx>