A business planning guide to developing a social enterprise

"Senscot has been promoting the need for clear and concise business advice to emerging social enterprises for a number of years. Forth Sector's Business Planning Guide manages to capture all the relevant information and lays it out in a simple yet comprehensive way. Forth Sector should be congratulated on providing an ideal guide for social enterprise start-ups as well as those looking to make the next step up."

Aidan Pia, Executive Director, SENScot

www.forthsector.org.uk

Europe and Scotland
Making it work together

Forth Sector Development

RBS

Equal

Communities Scotland

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

"A bible for anyone wanting to start up a social enterprise. Easy to use and packed with good advice, it will save you headaches and heartache."

Antonia Swinson, Chief Executive, Scottish Social Enterprise Coalition

Foreword

It's not easy we know, to set up and run a business – even more so a social enterprise…

They challenge the accepted ways of doing things. It's not that they set out to be awkward, but having discovered better, more suitable ways to tackle some of the most pressing social, economic and environmental issues facing us today, it's hard to accept the status quo.

As one of our Enterprising Solutions Award winners said:

"The world is changing and the ethos of social enterprises makes them a legitimate and growing business model for the 21st century. The delivery of high quality service, with all the profit being invested back into the community, is a model that will become increasingly impossible to ignore."

We would agree. And over recent years some social enterprises have grown and developed – but many are still waiting to take the first step. Although it is gaining a higher profile, there is still a little way to go in terms of achieving a wider understanding of the social business model.

To ensure social enterprises are understood, are not ignored and are given the appropriate support, The Royal Bank of Scotland and NatWest have been working pragmatically with policy-makers and the sector to encourage a more favourable environment for social enterprises to 'do business'. Ensuring their entrepreneurial approach to solving social and environmental problems, whilst making a huge impact in their communities, is embraced and well supported.

Following on from the increasing demand for the first edition of this business planning guide and the developments within the sector, Forth Sector and ourselves thought that it should be updated. It has been refreshed, and includes more information about business structures such as Community Interest Companies (CICs) and examples from around the UK to support your thinking and understanding.

This planning guide is very much about helping the sector to help itself. But it is also a tool the bank will be able to use to learn more about the sector. It should also go some way to fostering improved communications between the bank and the sector, which will inevitably lead to a better, more attentive service.

We strongly believe social enterprises are an important contributor to the growth and regeneration of local communities and trust this guide will help you to succeed.

Tracy Axten
Head of Social Economy Banking
The Royal Bank of Scotland & NatWest

Introduction

ForthSector Development

In developing a social enterprise, you are embarking on an exciting journey.

As an established social enterprise, we've been asked to prepare this guide to help you along the way.

Starting a social enterprise can be challenging, rewarding, stimulating and scary. There are already a range of business planning guides and templates out there but very few can tell you how to set up a social enterprise. We've used our own experience, and the experience of others, in running businesses with equal financial, social and environmental aims to map out a route for you.

We hope that you will benefit from our experience, avoid the pitfalls and achieve your goal to establish a successful social enterprise.

Contents

Introduction		3
The business development process for social enterprise		9
Stage 1:	Motivation	17
Stage 2:	Preparation	29
Stage 3:	Assessment	39
Stage 4:	Testing your idea	53
Stage 5:	Exploration	61
Stage 6:	Business planning	69
Stage 7:	Start-up	79
Top tips for success		80

Appendices

Key contacts		82
Resources		83
Business plan template		84
Acknowledgements		97

"I recently read the excellent guide to business planning for social enterprises produced by Forth Sector – and heartily recommend it to any small organisation."

Barbara Phillips, CBE, former Director of the
DTI Social Enterprise Unit

Who is this guide for?

We've written this guide for voluntary and community organisations that want to develop new social enterprises. Most are looking at social enterprise as a route towards sustainability or as a way to expand their portfolio of existing services.

Although the guide is focused on helping voluntary and community organisations to develop new social enterprises, we anticipate that it will also be useful for:

Individual social entrepreneurs who are aiming to set up a business for a social purpose.

Cooperative or employee owned social enterprise activity.

Community groups exploring whether social enterprise is an appropriate way to regenerate and/or create employment for their community.

Voluntary or community organisations that want to transform their organisations into social businesses.

Banks or building societies who are increasingly working with social enterprises to help them to develop their business.

Within the guide, we've outlined a step-by-step approach to starting up your social enterprise and have focused on several key issues surrounding business development.

We've assumed a fundamental knowledge of business planning, because we recognise that there is already a range of good resources to support business planning, so we've chosen to focus on those issues that are specific to social enterprise.

The feedback that we received on the previous edition of the guide highlighted its usefulness as a management tool for community groups, voluntary organisations and project-based social entrepreneurs. Many said that they found the guide to be a useful resource in writing a business plan and in developing their organisation with a view to generating a significant income from trading or commercial activity.

"Forth Sector has produced an excellent business planning tool. It has been a valuable aid in helping to identify potential ventures and then evaluate their suitability for us as an organisation."

David Jarrold, Community & Business Initiatives Manager, Dunedin Canmore Housing Association

Catalyst social entrepreneurs

Although we've focused primarily on how voluntary and community organisations might develop social enterprises, we've realised that in most instances an individual (or occasionally a small group) drives forward this development process. These social entrepreneurs can act as a catalyst for change within their organisation. With that in mind, we've developed the guide to support these social entrepreneurs. Consequently, some of the information in the guide is directed at these individuals and some relates to the organisation as a whole.

We've also recognised that we can offer no more than general information or guidance to help you to develop your social enterprise, as you will bring to the equation a whole range of personal experiences, skills and attributes. The culture, aspiration, resources, size, capacity and previous experience of your organisation will also influence how you develop your social enterprise.

What is a social enterprise?

Social enterprise is a different way of doing business.

A social enterprise is a business that trades for a social purpose. The social aims of the business are of equal importance to its commercial activities, and this combination is often referred to as the 'double bottom line'. Like any business, a social enterprise focuses on generating an income through the sale of goods and services to a market but the added value of a social enterprise comes from the way in which it uses its profits to maximise social, community or environmental benefits.

Both social enterprise and business planning come with their own sets of jargon and terminology. Wherever practical, we have attempted to explain the meaning of any jargon that you should expect to encounter. We have also included details of some websites containing 'jargon-busting' information within the Resources section.

The social enterprise sector is both vibrant and developing. If you are unfamiliar with social enterprise, you can find out more by consulting the Resources section, at the back of the guide, which will direct you to further sources of information.

How should you use this guide?

Developing a social enterprise, like starting any new business, is an exciting and active process. It involves a lot of hard work but equally it should be a rewarding and enjoyable experience.

As you work your way through the guide you will begin to compile some of the information that you will require to prepare a business plan for your social enterprise. Having a business plan will be important if you are looking for investment and/or support to start your social enterprise. We've also found that a business plan can be a useful point of reference to which you can continue to refer throughout the development process – in order to check that your social enterprise is growing as you intended.

We've included a business plan template within the appendices; and, so that you can check your progress, at the end of each of the chapters, we've indicated which sections of the business plan you should be able to complete.

The business development process for social enterprise

What is the business development process?

We've identified seven crucial business development stages that an organisation should go through in its journey towards establishing a social enterprise.

The illustration on the next page shows how these stages are linked to one another. The guide explores each of these stages in detail, on a chapter-by-chapter basis. Although, each stage encompasses a number of discrete elements, it is worth noting that all of the stages are inter-related; and, some of stages will require you to have completed or at least thought about the questions raised during the preceding stages.

In order to help you to populate the business plan and shape your idea for developing a social enterprise, the guide will:

Introduce a step-by-step approach to social enterprise development.

Suggest some key issues you should consider when planning your social enterprise.

Signpost you to additional sources of help, support and advice in the Key Contacts and Resources sections.

Provide you with some top tips – where you see this sign.

Whilst the guide was not designed to be read from cover to cover, we've found that you might find it useful to refer to it at each stage of the process.

How did we develop the process?

Forth Sector and Social Firms Scotland started mapping the business development process for social enterprise in 2001. We were able to identify seven stages in developing a social enterprise, which we subsequently incorporated in our guidance. This approach was tested and refined in the course of its usage by over 200 voluntary and community organisations between 2001 and 2003. In 2003, Forth Sector adapted the model and tested it in conjunction with a further 250 voluntary and community organisations.

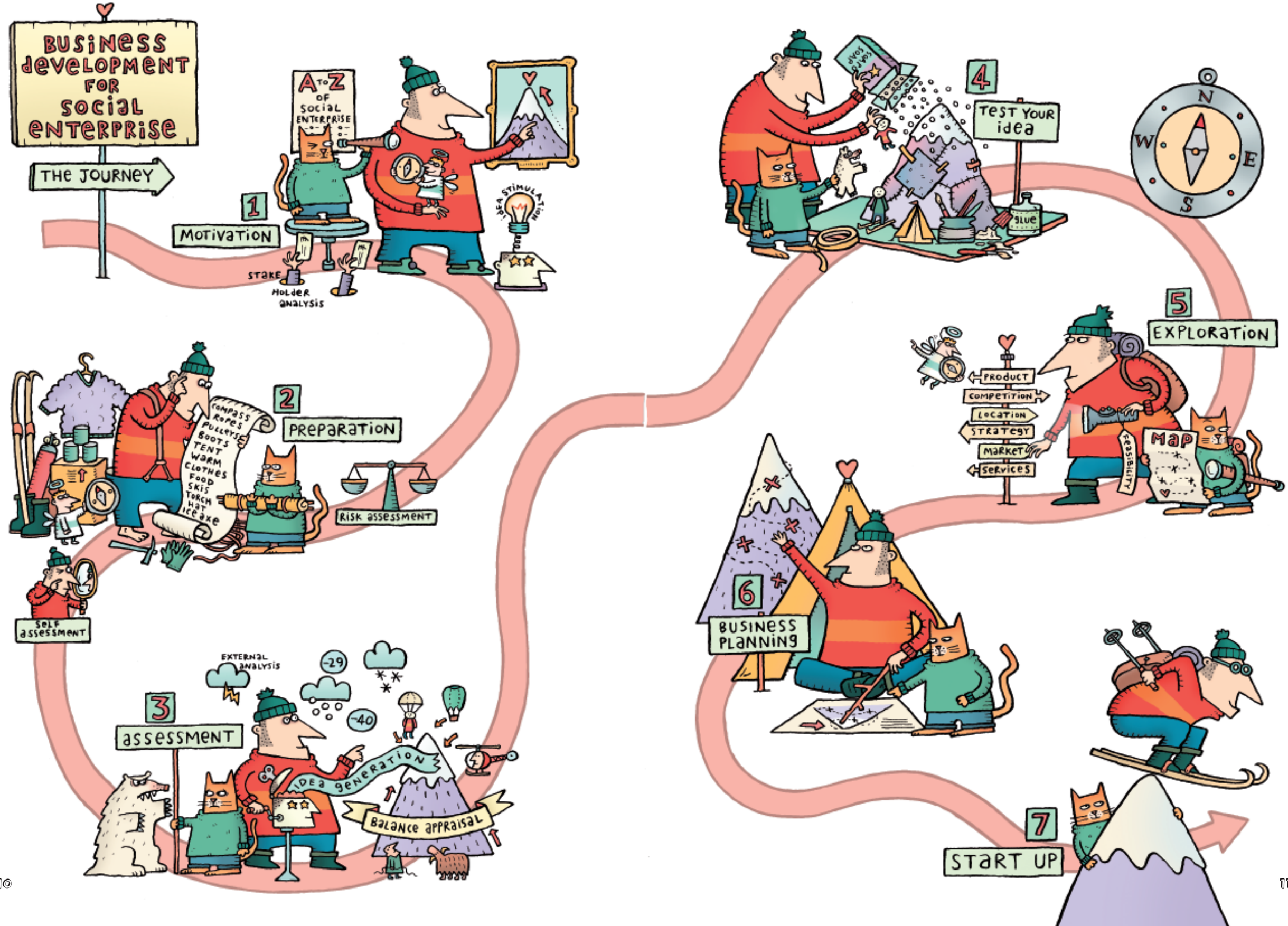
As part of this process, Forth Sector looked at ways to improve the business planning guidance that was available to the social enterprise sector. We were able to identify a number of gaps, and concluded that the reason for these gaps was that existing guidance focused solely on mainstream business development; and, as a consequence, it didn't consider some of the issues that were of relevance to the social enterprise sector. This led to Forth Sector establishing a partnership with the Royal Bank of Scotland/NatWest Group with a view to developing a step-by-step manual to social enterprise development. The first edition of the guide was launched in June 2005. This, the second edition, employed the same approach but has been modified to take account of the valuable feedback we received following the original publication.

Who developed this guide?

Forth Sector and the Royal Bank of Scotland jointly developed the guide with specialist support from Social Firms Scotland who assisted with mapping the journey that voluntary and community organisations usually take in developing a social enterprise.

The first edition of the guide received funding from City of Edinburgh Council, the Royal Bank of Scotland and the ESF Objective 3 Programme in Scotland and was published in 2005. Funding for this, the second edition, was provided by the Royal Bank of Scotland, Communities Scotland and the EQUAL Social Economy Scotland Development Partnership.

In supporting the development of the guide, all of the partners have shown a commitment to developing a stronger social enterprise sector.


BUSINESS development FOR SOCIAL ENTERPRISE
THE JOURNEY
A TO Z OF SOCIAL ENTERPRISE
1
MOTIVATION
STAKE HOLDER ANALYSIS
IDEA STIMULATION TOOL
2
PREPARATION
COMPASS
ROPES
PULLEYS
BOOTS
TENT
WARM CLOTHES
FOOD
SKIS
TORCH
HAT
ICE AXE
SELF assessment
RISK assessment
3
assessment
EXTERNAL analysis
-29
-40
IDEA generation
BALANCE appraisal
4
TEST YOUR idea
SOAP
GLUE
5
EXPLORATION
PRODUCT
COMPETITION
LOCATION
STRATEGY
MARKET
SERVICES
FEASIBILITY
MAP
6
BUSINESS PLANNING
7
START UP
N
W
E
S

As you journey through the process, you will take a number of decisions that will determine how you will ultimately achieve your desired goal of establishing a social enterprise. You will also find, in the course of this journey, that you will begin to compile some of the information that you will need to draft your business plan. In order to help you to do this, we have included a check point at the end of each chapter indicating which sections of the business plan you will be able to complete.

For us, the following concepts and resources underpin the business development process for social enterprise:

Dynamic process – Social enterprise development is an active process. As such, you will gather/analyse information, as you move towards your goal of setting up your social enterprise.

Market reality – You must maintain a market focus. Although your drive may be to meet a social need, in order to do so and be sustainable you have to address a demand for goods or services. Focus on who will buy from you and why they will buy from you rather than from your competitors.

Review process – As you progress through the seven stages of business development, you will undoubtedly encounter some challenges. This may mean that you will have to review what you have already done and re-assess how you should proceed. This should not be seen as failure but as a necessary step in developing your social enterprise.

Toolkit – The process we've outlined, and the accompanying business planning template, have been designed to help you. Although they are good tools, they are no substitute for motivated, enterprising staff with the drive and determination to develop a social enterprise.

Business development support – You may need support to reach your goal. There is a wide range of support available. Where possible try to use people who understand what it means to develop a social enterprise. Remember, although consultants may be able to help you, it is equally important to build up your own capacity, as it is you alone who will develop and run your social enterprise. Try to use consultants for activities requiring specialist expertise and not for core development activities. See the Key Contacts section for more details.

If you have never developed a social enterprise before, you might consider approaching an existing social enterprise to see if they can mentor you through the process. You may need to pay for this support. We've found it can be a useful starting point to ask around your existing networks for good mentors.

Financial support

You may need development funding at different stages of the business development process. This will depend on a variety of factors such as your resources, capacity, reserves, idea or experience. If your organisation does not have its own reserves to put into business development, there is a range of development funding available – from grant support through to loan finance or patient capital.

> For more detailed information on investment or development finance for social enterprise refer to 'Unlocking the Potential – a guide to finance for social enterprises' published by the Social Enterprise Coalition. See the Resources section for details.

Culture change

Often one of the biggest challenges for voluntary or community organisations in developing a social enterprise is achieving the culture change that is required within the organisation. Your aim will be to run a business. This will require your organisation to have a commercial culture. To achieve success, you will need your trustees or board of directors, as well as your chief executive and senior management team, to be fully on board.

Given the resource implications associated with starting any business it can be tempting to bring in consultants. In some respects, this might be advisable, particularly if they are bringing specialist expertise to the table. However, you should be wary of becoming overly depended on consultants. The culture change that will be required is an internal one. Consequently, it would be advisable to involve as many staff as possible in the process and ensure that it leaves a lasting legacy in terms of assimilated knowledge and understanding about any strategy developed.

Case Study

Ealing Community Transport

Formed in 1979 as part of Ealing Voluntary Service Council, ECT started life with just three vehicles, providing a transport service to Ealing residents. 26 years later, ECT has grown into a leading independent social enterprise with a £50 million turnover and over 1,200 employees, providing a range of high quality services mainly on contract to local authorities and other public sector clients.

These include community & public transport, recycling and sustainable waste management, community railways, vehicle & railway engineering and primary health care. ECT provides services that are economically sustainable and of direct social and environmental benefit to the communities they serve.

Briefing a consultant

If you do elect to hire a consultant to assist with any aspect of the process then remember that consultants are not mind readers. Unless they know exactly what it is that you want them to do, they may produce a report which will not help you to make the right decisions; or worse, unwittingly present a misleading picture in terms of the feasibility of your enterprise. Try to present the consultant with a brief that describes precisely the work that they are to carry out and exactly how this will help your decision making process.

Before engaging a consultant, you should ask yourself the following key questions:

Do you understand what it is you are asking the consultant to do? Or are you simply employing a consultant because you do not understand what it is you need to do?

Are you employing a consultant because you do not have the time to do the work yourself? If you do not have the time or resources to do this work, how are you going to run a new social enterprise?

Are you sure you're asking the right person for advice? Ask around so that you can identify a consultant that has a proven track record and specific expertise in the field, e.g. a specialist social enterprise consultant rather than a general business advisor.

A good consultant will take time to get to know your organisation. However, there is no point in the consultant feeding back information that you already have in-house. Be clear about where they will add value.

Are you prepared to hear the hard truth? A consultant will be objective and honest with you and may not tell you what you want to hear.

If you put work out to tender, focus on the experience the consultant has in this area not on how they will approach the work. It is unlikely that you would ask a mechanic how they were going to fix your car.

You should be clear about what you are asking them to do (and not do). Whether it is a specific piece of research or some specialist advice, be clear at the outset what you will expect to get out of the process.

Write down your brief so that both parties can be clear about what the work entails. You will also find that you get a more accurate estimate of costs if everything is built into the original brief.

Only use consultants where their input will help you to make key decisions.

Focus on building your own capacity to run the business. Using consultants may help you to move through this stage more quickly, but in the long run it may not achieve any real culture change.

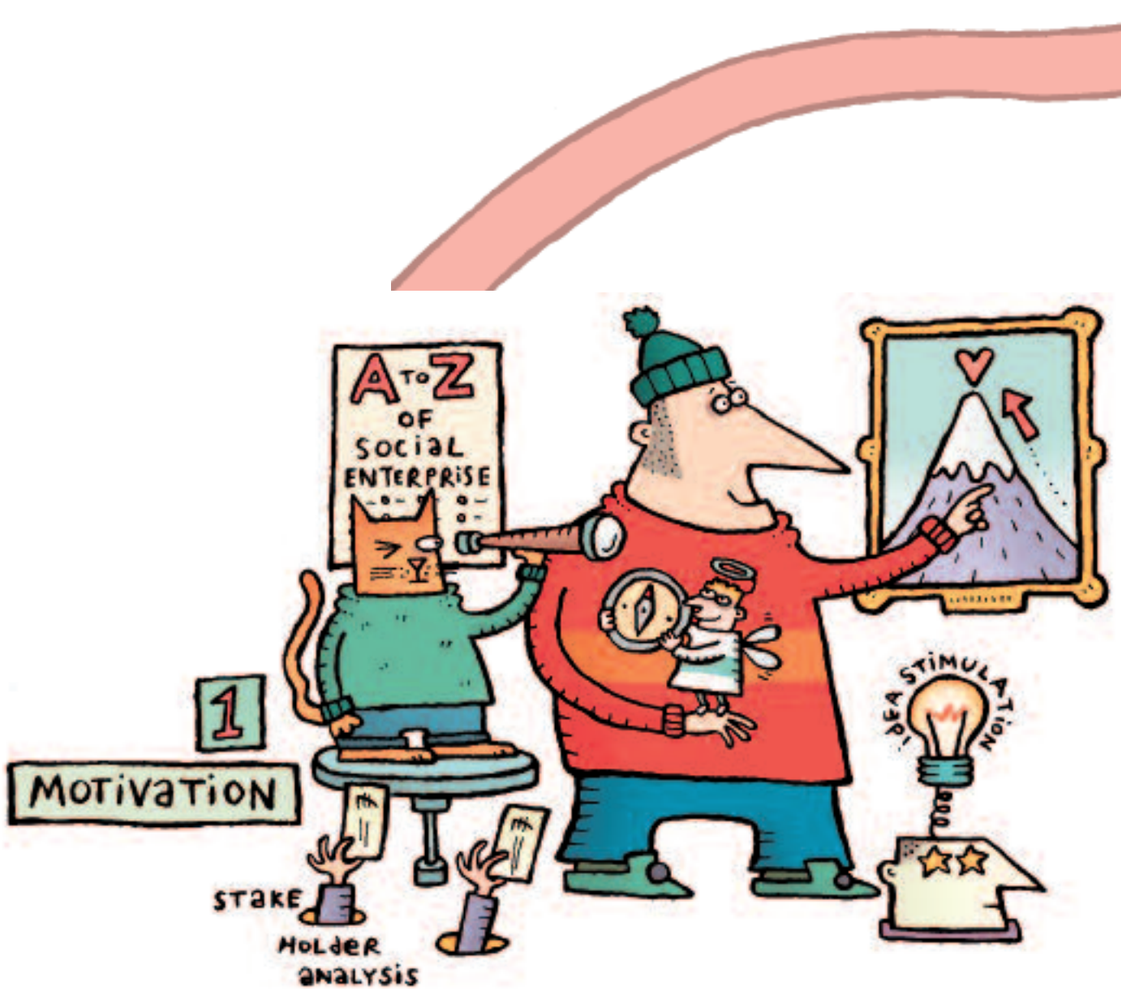
If you do use consultants, try to have them work with you and your staff so that you can increase your understanding of the business development process. This will help to build the capacity of your organisation for the future.

Energy

Developing a social enterprise is not easy. It will take energy, drive, passion, commitment and resourcefulness in order to bring about your vision. Although the guide will set out a step-by-step process, and provide information to point you in the right direction, you will need the drive and determination to get there.

Remember you are not alone in this. Others have tried and succeeded. They have developed strong social enterprises that provide valuable support to others, deliver public services, regenerate communities, improve health, tackle disadvantage, provide employment, alleviate poverty and foster co-operative working.
As a consequence, there is a wealth of experience, support, advice and assistance out there to help you.

Good luck on your journey!



Motivation

Although you may already have a business idea, we've found that it is important to be clear about your motives for choosing to develop a social enterprise.

We have identified a number of discrete elements that you will need to consider:

Why do you want to start a social enterprise?

Do you know enough about social enterprise?

What are the alternative options for your organisation?

How will you ensure that your stakeholders are on board?

Do you have a good business idea?

Why do you need to be clear about your motivation?

One of the most important lessons that we've learned is that you need to be clear about your motivation for developing a social enterprise.

Running a voluntary or community organisation can mean that you are juggling a range of competing demands – often on very limited resources. Your decision to start a social enterprise might therefore be motivated by a need to find an alternative source of funding to plug a financial gap. Social enterprise is presently enjoying a spell of popularity and is often touted as the best means to achieve this. Whist it arguably deserves some of the hype it receives, it is also worth remembering that it takes focus, hard work and determination to establish a successful social enterprise. Given this, we've learned that you need to be very clear about why your organisation wants to develop a social enterprise. Ask yourself what is driving you to do it before you set off down this route.

What are your motives?

Your motivation should act as an anchor for your organisation. There could be a range of factors that have led you to consider developing a social enterprise. In fact, there is no right idea, no right motivation and no right starting point for an organisation considering going down this route. However, it is essential that you are clear about your social purpose, as this will be what differentiates you from a mainstream business.

It may be that your organisation has a mission statement that includes the intention to:

Deliver high quality social care for disadvantaged people, create employment for disadvantaged groups or regenerate your community,

– and you see social enterprise as a way to achieve this aim.

These are all good starting points.

We've used our own organisation, Forth Sector, as an example (see following page) to demonstrate how our social purpose and motivation have shaped the development of our social enterprises.

Think about whether your organisation could use a similar approach to inform the development of your social enterprise:

Are you clear about your motivation?
Can you develop a clear hierarchy of need/aims that you want to meet?
Are you able to identify the impact that you want to have?

We've learned that it is best to identify one clear driver for the social enterprise. Where necessary, arrange any other factors into a hierarchy of importance. This will be important later in the process if you have to make difficult decisions or alter your plans.

"We have described and keep on describing organisations motivated by social objectives and non-profit organisations. We need to have another description: 'non-loss' organisations, because we don't want to lose money and our objective is to address a particular problem. So we are non-loss businesses with social objectives."

Muhammad Yunus, founder of Bangladesh's Grameen Bank

Forth Sector builds the mental health and wellbeing of people with mental health problems by developing businesses that create supportive employment opportunities.

Our **motivation** for setting up a social enterprise is to help people with mental health problems recover from the impact of their mental illness. We believe that we can do this by providing them with employment opportunities within supportive workplaces.

When we are examining the possibility of starting a new social enterprise we focus on the market for the business idea but any decisions on proceeding are traced back to what we've identified as our 'anchor' – i.e. our motivation.

We devised a set of criteria around our motivation to help to formalise this process:

Can we create flexible and supportive employment or training opportunities within this business?

Does the business offer a real working environment in which people with mental health problems would want to work?

Can we create a range of employment opportunities within the business?

Will working in this business promote health and well-being, develop employability and/or reduce social exclusion?

This set of criteria has helped us to make decisions on countless occasions and is something that we refer to repeatedly throughout the business development process and in evaluating the impact of our activities.

If you don't already have one, you should try to develop a 'mission statement' for your social enterprise. Remember that it will probably have to be reviewed as your social enterprise develops.

If your organisation has a 'mission statement' this can be a good starting point for identifying what is driving the development of your social enterprise. Whatever you do you should be able to trace it back to this mission statement.

Do you have the passion?

Successful social enterprises are started by people with a passion for what they do. Is that you?

You may be the chief executive or the fundraiser or a development officer in your organisation. Or you may have been recruited to start a social enterprise. Or you may be someone who has identified a potential business idea for the organisation to pursue. That does not matter. What matters is that you have the passion, drive and determination to set up a business in order to achieve the social purpose that motivates you.

Although catalyst social entrepreneurs recognise that they cannot realise their dream single-handedly they must have the drive, vision, charisma, determination, resourcefulness, commitment and motivation to inspire others to join them.
Before you go any further with your idea of starting a social enterprise, you need to be prepared for the impending journey and be fully committed to overcoming the inevitable obstacles and challenges that undoubtedly lie along the way.

Below is a quick questionnaire that will help you to think about your motivation, attributes and values.

Think about what motivates you. Do you have the enterprising qualities required to run a social enterprise?

Do you want to run a business?

Do you seek out new challenges?

Are you realistic about your capabilities?

Are you prepared for the long haul?

Do you fully understand the risks?

Do you find change exciting?

Do you have a clear social aim?

Do you have the full support of your board and colleagues?

Can you motivate people and take the lead?

Have you got the drive and self-belief to take this forward?

Can you make decisions?

Are you flexible enough to learn from mistakes?

Do you listen to advice?

Are you determined enough and prepared to keep going when things get tough?

How do your values influence what you want out of developing and running a social enterprise?

Don't worry if you didn't answer yes to every question above. You will hopefully have identified some areas where you are strong and others where you are weak. Part of your personal development process will be to work on the weaknesses and to build a team that has complementary strengths to yours which can help you to develop your social enterprise.

Many agencies, such as your local Chamber of Commerce or Social Enterprise Intermediaries, run training courses designed to help you to develop your enterprising qualities and business development skills. For further details see the Resources section at the back of the guide.

If you will have other people working with you to develop the social enterprise then it might be useful to involve them in developing the mission statement so that they can have some ownership of the process.

It would be useful to start by detailing your skills and qualities, and those of your team. Often, investors will be as interested in who you are, and whether you are capable of running a business, as they will in the business idea and market potential.

Do you have a potential business idea?

There is no magic wand for coming up with business ideas. If there were, we'd have used it!

You or your organisation may already have a business idea or see a market opportunity. You might have a hunch that there is something you are already doing that you might be able to charge for. This could be what is driving your organisation to consider social enterprise.

Or you might view social enterprise as a route to sustainability for your organisation. Perhaps you aim to move from grant funding to commercial contracts. At this stage it is more important to be clear about your motivation than to have a good business idea but regardless of whether you have a fully formed idea or not, it is essential that you start to focus on the market.

A good business idea has to be rooted in market reality. Whilst you may be motivated by your initial idea to proceed down the route of developing a social enterprise, remember that later in the process you may have to alter or abandon it completely if there is no market.

There is no right starting point for developing a business idea but based upon our own experiences we would recommend being cautious about becoming too fixated on one business idea.

Don't get carried away with the idea at this stage. For now, it's enough that you check if the idea fits with your motivation for setting up a social enterprise.

Is there a fit? Yes? Good. Then you are ready to take that idea forward.

If there is no fit, or if there is any conflict of interest between what you want to do and running a business, then revisit your motivation to check you are clear about what you want to achieve.

Ask yourself the following questions:

Are you looking to sell a product or service to a customer?

Have you identified who that customer is?

Do you know what the market rate is for the product or service?

Have you considered how you will convince the customer to buy from you rather than from your competitors?

Some of this language/terminology may be unfamiliar to you but if you are not thinking about selling to a market then you will not be able to develop a social enterprise.

Think about whether you want to be in business – i.e. selling a product or service to a customer.

A good business idea has to be rooted in market reality.

What do you know about social enterprise?

Social enterprise is a distinct way of doing business. It blends business acumen with social purpose. Coming from the voluntary or community sector you may be unfamiliar with business terminology and jargon. In fact, social enterprises share many of the characteristics of private businesses but there are some crucial differences.

When you approach banks or investors you may have to explain the nature of your social enterprise and perhaps even how this differs in nature from a private sector business. To assist you, we've outlined some of the key differences between a social enterprise and a private business.

Key differences from private sector companies

Explicit Social Aims
Social enterprises have twin aims, which are of equal importance. Private sector business primarily focus is on trading; social enterprises too have a commercial focus but will also have an explicit social and/or environmental purpose.

Funding Composition
The mix of business and social aims associated with the social enterprise sector often sees quite a different funding mix for organisations to that of the private sector. Social enterprises often have a complex composition of sales income, commercial contracts, service level agreements and grant support.

Investment
Social enterprises may have difficulty gaining access to traditional forms of investment such as patient capital, equity or loan finance.

Risk Aversion
Social enterprises are usually governed by a voluntary board of trustees, which may mean that they are more risk averse in terms of pursuing business ventures.

Scale
A social enterprise usually has to operate on a scale that is large enough to sustain its social commitment from the beginning, which can often mean that start up costs are much higher than would be expected for a private sector business.

Social Entrepreneurship
Individuals developing social enterprises are usually driven by the social potential of the venture.

Stakeholders
There is usually a very broad range of stakeholders involved in social enterprise development, including the public sector, which can mean that there is political and bureaucratic influence on the development process.

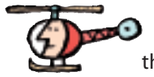
Sweat Equity
In private businesses the owners often invest "sweat equity" to grow and build the venture, hoping to reap future rewards, particularly if the business is sold. This same endeavour is required to build a social enterprise but the managers/staff seldom reap the same rewards because the business is unlikely to be sold and the purpose is not financial gain but social impact.

If you are unclear about whether social enterprise is the right option for your organisation or if feel you do not know enough about what running a social enterprise entails there is a range of information and support available. There is a growing social enterprise intermediary sector that can also help you to increase your knowledge.

The Resources section and Key Contacts list can signpost you to a range of information and support.

What is an options appraisal?

There is a wide range of approaches to social enterprise development. Co-operatives, development trusts, social firms and intermediate labour market companies are just some of the models available. An 'Options Appraisal' will help you to choose which approach is right for you.



The table below illustrates some models which might be appropriate based upon the choices you will make:

Motivation	Business structure options
Your social aim involves helping disadvantaged people to gain access the open labour market.	Could be a social firm or ILM (intermediate labour market) company.
You want to run a café venture that involves the community in regeneration.	Could be a community business, ILM or part of a development trust.
You want to run a venture that is not part of your core purpose.	Could be a separate trading arm wholly owned by the charity or a new social business.

Conducting an 'Options Appraisal' is not complicated but you may need to gather additional information from social enterprise intermediaries to help you to make the right choices.

One of the key areas that you should address is the potential legal implications of developing a social enterprise. There is now a new company structure for social enterprises called 'Community Interest Company'. It might be worth finding out more in order to decide whether a CIC is the best legal structure for your social enterprise. www.cicregulator.gov.uk

Once you have carried out your 'options appraisal' you will need to check that there is still a fit with your motivation. If there is, you should proceed; if not, then you will need to revisit your motivation for developing a social enterprise.

The Community Interest Company (CIC) is a legal form for social enterprise which ensures profits and assets are used for the good of a community.

A CIC can be: **A private company limited by shares; or**

A company limited by guarantee.

Because the assets and profits of a CIC have to be used in the interests of the community, there is a limit on how much they can be distributed to its members – this is known as an "asset lock". Also, an organisation which is a CIC cannot be a charity at the same time but a charity is able to set up a CIC.

When carrying out an 'Options Appraisal' you need to think about:

What do you want to achieve by running this social enterprise?

Which approach to social enterprise development best fits with your motivation?

Which approach best fits with the mission, vision and values of your organisation?

What is the best legal structure for developing your new social enterprise?

What legal implications are there for the organisation in moving down the route of developing a social enterprise?

What potential sources of investment are there for developing your social enterprise?

What implications are there for your organisation in receiving this type of investment?

These are some of the basic questions you should think about. Based upon your particular organisational circumstances, you will probably identify many other questions that you need to think about at the options appraisal stage.

Using a Specialist Development Organisation

Social enterprise development organisations can provide sector specific advice and support to help you to cope with a range of issues such as sources of funding and finance, selecting an appropriate legal model, networking opportunities, skills development, business development, etc. It may be worth investigating whether any specialist social enterprise development organisations are operating locally. Public bodies, such as local councils and regional development agencies, often provide funding to these organisations to operate this service so that you can access it free of charge. You might also consider identifying any national organisations that can provide more specific support.

There is a wide range of help out there and it can be difficult to ascertain which of the services are right for you. Ask around various networks. Although some specialist support organisations might charge for development support, it may be that they are best placed to help you and so this might well be a good investment considering that you can learn from their experiences.

Before you decide what type of legal structure to adopt it would be advisable to take legal advice from a specialist in the field of social enterprise. Ask around your networks for lawyers that are specialists in this area.

Social Enterprise Coalition/ Bates, Wells & Braithwaite (2006) "Keeping it legal", 2nd edition, is a useful guide to the various issues your organisation may need to consider. See Resources section.

How do you carry out a stakeholder analysis?

Put simply, a stakeholder is someone who has a strong connection, interest or influence in relation to your organisation. Voluntary and community organisations often have a very broad range of stakeholders.

A Stakeholder Analysis means identifying all the people and organisations that have a connection with or influence over your organisation, e.g.:

Staff

Customers

Service Users

Investors/Funding Providers

Community

Suppliers

Partners

Once you have identified who your stakeholders are, think about the following questions in relation to each of them:

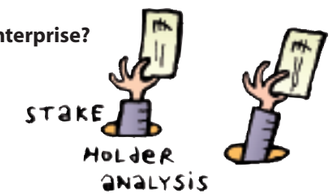
What is their involvement in the organisation?

What interest do they have in you developing a social enterprise?

How will change affect them?

What influence will they have on your plans?

Who else should you engage with?



How does this information affect any decisions you have made?

Use your stakeholder analysis to identify your key stakeholders and consider how they will be affected by your proposed social enterprise development. In the course of this, you should examine your organisation's motivations as well as theirs.

If you identify any stakeholders that you believe might be opposed to you developing a social enterprise then you might need to consider how you can work with them to bring them on board with the idea.

Case Study

Community RePaint

Community RePaint is an award-winning UK network of 65 paint reuse schemes, stretching from Cornwall to Belfast to the Shetland Isles. Individual schemes collect "half-tins" of leftover, domestic paint from householders from a donation point at the local council's household waste recycling centre or civic amenity site. Unsold paint and damaged tins are also collected from local DIY outlets such as B&Q and Homebase, trade centres such as Dulux Decorator Centres and local shops. Painters and decorators may also donate leftover paint from decorating jobs.

In 2005, the UK network redistributed over 150,000 litres of paint, worth over £600,000 to a total of 6,600 individuals and community and voluntary groups.

Additionally, operation of the network supported 70 part-time and full-time jobs, 140 part-time and full-time volunteer positions and the running of 60 training courses.

Community RePaint has been supported and sponsored by ICI Paints since its inception in 1993 and forms part of ICI Paint's product stewardship programme. It also has links with other paint manufacturers, retailers and trade bodies. The UK network of schemes is co-ordinated by Resource Futures; (formerly SWAP) an employee-owned, not for profit environmental consultancy.

The running of Community RePaint schemes also supports jobs and offers work training and volunteer places, eg to the long-term unemployed and people with learning disabilities. Many schemes also run training courses in tandem with paint redistribution in subjects such as health and safety, manual handling, waste management and computing. Several of these are accredited to NVQ and City and Guilds level.

Community RePaint continues to make closer links with the paint industry and its trade bodies and with local authorities in order to redistribute paint to an ever-increasing number of charitable organisations and individuals in social need.

Are you ready to start the Business Plan now?

Our experience has taught us that you need to be clear about your motivation for developing a social enterprise. As we've indicated, there are many things that will affect your motivation – your personal values, your awareness of social enterprise, your business idea, legal implications, etc. These are just some of the hurdles that you'll encounter in your journey. Hopefully, you'll now be slightly more prepared for them.

By now, you will have begun to gather some of the information that you will need in order to compile your business plan. In preparing your business plan, you might find it useful to use or at least to refer to the business plan template we have included at the end of the guide.

Within the business plan, you should be able to complete the following sections:

What is the social aim of the business that you are going to start?

Why is there a need for the social enterprise?

How will running the social enterprise meet that need?

What type of social enterprise will be established?

Who are your key stakeholders?

Preparation

Stage 2 is about preparation. The primary focus will be on your organisational culture.

We've proposed three complementary tools that you might use to evaluate whether your organisational culture is suited to running a social enterprise:

Culture Assessment – which looks at how you currently operate.

Capacity Assessment – which considers your organisational capacity, in terms of both skills and capabilities.

Risk Assessment – which will help you to understand your attitude to risk and provide information that will allow you to plan more effectively as well as determine whether you are ready for investment.

"Sometimes culture change is like trying to put lipstick on a bulldog! It's exhausting work, it doesn't look right and even if you can get the lipstick on, it's still a bulldog!"

Liam Black/Jeremy Nicholls,
There's no business like social business

Why is your culture important?

Organisational culture is difficult to pin down. Every organisation will have its own culture, approaches, values and traditions. Even within broad sectors, such as the private or public sectors, these can vary enormously. However, we have found that there are some generic and fairly fundamental differences between social enterprises and established voluntary and community organisations; these should be borne in mind when developing a social enterprise.

Key similarities and differences between organisations in the social enterprise and voluntary/community sectors

Commercial focus
Social enterprises use commercial operations as a vehicle to achieve their social and/or environmental purpose.

Customers
Within a social enterprise, the focus of activities is on ensuring that customers buy the goods or services that the social enterprise is aiming to sell. (This is not to be confused with services provided to a client group.)

Market
The development of the business will be influenced by changes/opportunities arising in the market. Avoid the "need" driving the business idea.

Long-term planning
A social enterprise will usually be business planning for a three to five year period looking at developing its market share. This approach is different from the usual project planning approach associated with grant funding in voluntary and community organisations.

Carrying out a cultural assessment for your organisation will help you to think about the implications and practicalities of the culture change required to turn your organisation into a successful social enterprise.

Culture Assessment involves thinking through the following:

What style of leadership and management do you have in the organisation?

What are your organisation's values? And how are they lived out?

What principles underpin how your organisation operates?

Who, in reality, are the really important decision makers within the organisation?

How does the organisation respond to change?

How do your staff engage in the planning processes for the organisation?

What is your current focus in terms of organisational development?

How have you developed up to this point?

What experiences do you have that would be useful in running a social enterprise?

What challenges do you think you would encounter in running a commercial business with respect to your current operations?

What changes might you have to make to your current operations in order to be in a position to run a successful social enterprise?

Experience has taught us that for culture change to happen in any organisation, strong leadership is required from the chief executive and senior manager(s). Your organisation will need to ensure that such senior figures within the organisation, your board of directors/trustees are actively engaged in the process of establishing your social enterprise to ensure that the ensuing cultural change cascades throughout the entire organisation.

You should try to engage a wide group of staff, board members, external funders and other stakeholders in the cultural assessment process so that you can obtain an holistic picture of your existing organisational culture.

It may be useful to have some external facilitation for the cultural assessment process.

So that it is effective, this entire process of change management must be led and managed within your organisation.

How can you assess your capacity?

Running a social enterprise is likely to require a shift in gear within your organisation. Consequently, it is important that you assess your capacity in order to determine any gaps that will need to be addressed in the interim period before start up. You will have to look objectively at the skills, experience and culture within your existing organisation.

Capacity Assessment involves thinking through the following:

What is the purpose of your organisation?

What are your current activities?

How successful are you at delivering on them?

What skills do you have in the organisation?

What experience does the organisation have?

What resources do we have?

How does developing a social enterprise fit in with your strategic plan?

How do you evaluate existing activity and plan for new developments?

How supportive are the Board and key staff of making the changes necessary to become a social enterprise?

What policies, procedures and systems will you need to develop or modified to support the transition to becoming a social enterprise?

What resources do you have that you can allocate to social enterprise development?

What skills do you need to be able to develop a social enterprise?

What experience do you need to be able to develop a social enterprise?

What additional resources and support do you need to develop a social enterprise?

You shouldn't panic if you don't have all the answers at this stage but it is important that you at least start to think about some of these questions as you will have to be explicit about the answers to these in your final business plan.

It is difficult to generalise but you can expect the development process prior to start up to take around six to nine months. During this period, you will need to allow senior staff sufficient time to plan, research and develop the idea, as well as provide for additional resources for market research, legal advice and business development.

Case Study

The Wood Works

The Wood Works is the latest business venture to be set up by Forth Sector in Edinburgh. Forth Sector is a mental health organisation that provides training and employment for people who have mental health problems through running social firms. The organisation is always looking for new business ideas. The motivation for Forth Sector when looking at a new business idea is one that will offer a broad range of jobs. This business is a replication of the Brighton and Hove Wood Recycling Project in Brighton and began its development stage in the spring of 2005.

The venture took about a year to plan, research and explore, with two members of the Forth Sector Development staff working fairly intensively on it, with input from other members of the organisation at strategic points. The experience of starting any new business is exciting, exhausting and exhilarating in equal amounts, but what is often under estimated is the time involved.

"You have to be prepared to go down a few blind alleys and then start again when your first ideas don't necessarily work out. There is no substitute for getting out there and pounding the streets to look for the best location, what the competition is like, what products and services you can offer, where your potential competition has missed a trick.

The Business Plan took about six to nine months to write and it went through numerous drafts until we were completely satisfied that we had covered all bases. Inevitably, things changed as we went along as timelines were dictated by operational issues such as finding the right premises, putting the finances together and generally waiting for other things/people to slot into place. Now, eighteen months later we are ready to open our doors to begin recycling wood saved from landfill"

Kate McDonald, Forth Sector Development

You might find it useful to carry out a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis on your organisation to help you to get a broader understanding of where your organisation is in terms of developing your capacity. It would be advisable to involve a range of staff in this process, as it will help you to get a more holistic picture of where you stand.

You will need to be clear at this point that you are willing to invest the time and resources necessary to make your business venture a success.

For more detailed information on investment/ development finance for social enterprise refer to *Unlocking the Potential – a guide to finance for social enterprises (Social Enterprise Coalition 2004)*. You can find the relevant details in the Resources section.

Often your organisation will have its own reserves to contribute towards the payment of staff and any additional resources for business development. In other circumstances you may be able to access grant funding or loan finance to contribute towards these costs.

How do you assess your attitude to risk?

Your organisation's attitude to risk will have a huge influence on the development process. Setting up a social enterprise entails a degree of risk; as with any business, there is some potential for failure.

We've chosen to focus here on your attitude to financial risk. This is because it is almost inevitable that in the course of starting-up and developing your social enterprise, you will need to borrow some of the investment required. This is sometimes referred to as 'investment readiness' and may impact upon your decision to proceed with establishing a social enterprise.

Investment finance for social enterprise can take different forms, e.g. grant aid, patient capital or loan finance. You will need to decide which is the most appropriate funding mix for your organisation and in doing so you must look at your organisation's attitude towards financial risk and financial management. By considering your existing funding arrangements, you should be able to draw some conclusions about this.

You can start to learn more about your organisational attitude to risk by thinking about:

How are you currently funded?

What are the strengths/weaknesses of your funding composition?

What financial management and reporting systems do you have in place? How will they need to change to run a social enterprise?

How have you developed and funded new projects in the past?

What investment do you require to start up a new social enterprise? What sources can you identify?

What is your attitude towards loan finance? What is your experience of loan finance and repaying loans?

Do you have the power to borrow?

What do you currently do with surpluses?

What policies do you have in terms of investing in business development?

What type of relationship do you have with your bank?

What are the cashflow implications of developing your business idea?

Will you access any non-commercial income to run your enterprise? How?

These questions may seem daunting at first but it is crucial that you think clearly about the financial and investment implications of developing a social enterprise. There are additional resources out there to help and support you. Your bank or a social enterprise intermediary may also be able to support you in assessing the investment readiness of your organisation.

> Social Investment Scotland has published a useful guide to loan finance – *Taking a Loan of Finance*. This will explain some of the terminology around the issue and support you to think through the issues around investment finance. The guide is referenced in the Resources Section.

What If The Business Fails?

For many voluntary or community organisations aspiring to develop a social enterprise this will be one of the main barriers to development. Your organisation might have a very low risk threshold and, because failure is not an option, then anything that might fail is unlikely to be considered. If your organisation has a history of grant funding then the transition to running a business will certainly entail a much higher degree of risk. There are many factors that can cause business failure within the private sector; and, these are equally as valid in the social enterprise sector.

Some of the common reasons for failure are:

Poor cashflow – might lead to loss of suppliers or inability to pay bills.

Significant changes in the market – could lead to customers buying from someone else.

Loss of key staff – with no succession planning in place your organisation might lack the key skills necessary to drive the business.

Poor financial management – will lead to problems such as unrealistic sales targets or higher cost of sales.

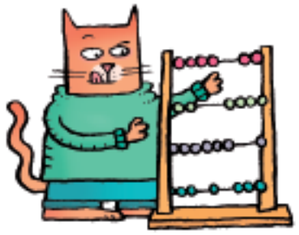
In the course of developing your social enterprise, you will obviously aim to reduce these risks but they cannot be avoided altogether. For this reason, you should constantly review and reassess how your business is developing.

We have found that it is advisable, in risk management terms, to invest a proportion of any surpluses into further business development or in accruing reserves. This will act as a cushion should you experience any unexpected drops in commercial income.

Given the information that you should have gathered about how you run your organisation financially, and having gained some clarity about the 'balance of aims' within your organisation, you can now look your attitude to risk.

"If there is one lesson to take away from this guide it is that strong financial management is critical to running successful enterprises including social enterprises."

Alistair Thornley, Enterprise Services Consultant, Scottish Enterprise



Based upon the information you have gathered, you should be able to answer some of the following questions. This should give you a clear idea of the extent of any change required.

Are you clear about the financial risk that running a business might entail and are you ready for that risk?

What is the view of your Board of Directors or Management Committee towards financial risk?

What is the view of your key stakeholders towards financial risk?

Have you identified potential sources of investment funding, such as loans? If so, you should be sure at this point that your organisation will consider loan finance as a practical option.

What changes might be required to your financial reporting systems in order for you to run a social enterprise?

You will be able to access advice and support on this process from banks, community development finance initiatives (CDFIs), social enterprise intermediaries and through mainstream business advice agencies. The Key Contacts list identifies a range of organisations that provide support. Remember that your networks are also likely to be a good source of advice and support.

The success of your social enterprise will rest on you identifying the most appropriate funding or finance package to match your strategic objectives.

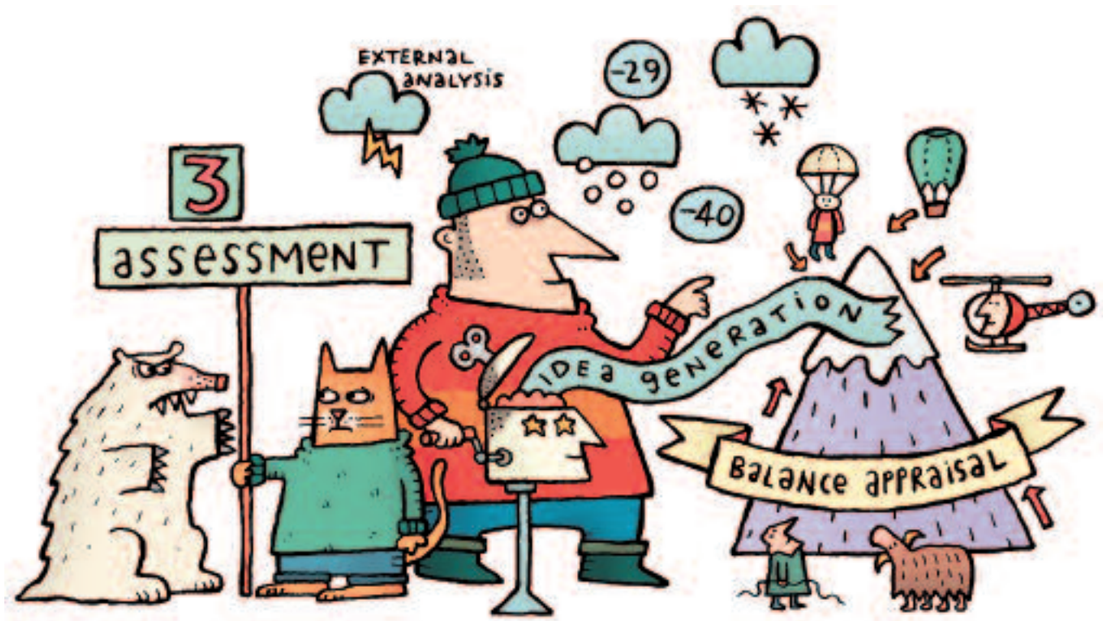
It is advisable to invest a proportion of any profits into further business development, or in accruing reserves, rather than directing the entire amount towards the achievement of your social aims. This will provide a cushion for any unexpected drops in commercial income.

One of the key criteria in assessing your investment readiness is that you ensure that your organisation has in place appropriate financial management systems and sufficient operational capability.

What can you add to the business plan?

You should be clear about what resources you are going to invest in the business development process and how you are going to fund this development.

This information can be used to complete most of the section entitled 'the organisation' within the business plan.



Assessment

Stage 3 of the business development process will encourage you to think about a number of different approaches you could take to starting a business. It will also require you to examine some of the external factors that could potentially impact upon your success.

Idea Generation – sets out some suggestions for how you might identify a good business idea.

A PEST (Political, Environmental, Scientific, and Technological) analysis – should help you to understand your organisation's relationship to external market forces.

Commercial Appraisal – will help you to identify the best commercial option for your organisation.

How can you generate ideas?

It is a common misconception that business ideas are realised in a 'eureka moment' or are pondered over for many years. In fact, many businesses grow out of an idea for doing something that is already being done, but doing it in a new or more creative way, e.g. extending the provision of a product or a service to cover a group or market that was not previously well catered for. This is usually called 'seeing a gap in the market'.

You may already have a business idea and some plans about what you want to do. There are numerous ways of getting into business. We've looked at a variety of different approaches to idea generation so that you can decide which one might be best suited to your organisation or will fit best with your idea.

A Truly Innovative Product

A truly innovative product (or business model) has the potential to change the market, and is usually grounded in the development of new technologies or a scientific discovery. Completely new products or services are in fact very rare, so you should be very careful in identifying with this scenario. Usually, the absence of competitors would suggest an absence of a market.

The key difference in developing a truly innovative product is that environmental factors have caused some change to occur in the market or created an entirely new market. A particularly good example of this is the internet, which led to the development of a number of new e-business models not previously deliverable.

Undoubtedly you would like to offer a service or product with a difference. This is good because it will allow you to identify and exploit a niche within an existing market. However, the likelihood that you will develop an entirely new product is very small.

Advantages of true innovation

There is potential to influence the design and standards associated with the ensuing development of that sector.

When a new gap opens in the market, the first product on the scene has the potential to identify the provider as the natural choice.

Disadvantages of true innovation

A new market is a fast moving one and it's likely that a number of competitors will emerge in the years that follow. The competing product designs may mean that yours becomes obsolete as one particular version becomes the 'norm', (e.g. betamax versus VHS).

There is a danger that a stronger competitor might usurp your business by copying your idea.

Replication

If you think that your organisation might still have some reservations about starting a social enterprise then it might be worth considering replication. This approach will allow you to take advantage of the experience of others by replicating an existing social enterprise or business. You can build upon the knowledge and successes of these organisations, and replicate their business model, albeit adapting it to suit local market conditions.

Case Study

Hotel U Pana Cogito

Hotel U Pana Cogito, Krakow, Poland was modelled on Six Mary's Place, in Edinburgh. The hotel is the first social firm in Poland. It is run by a voluntary association which formally ran occupational training units. Like Six Mary's Place, it offers training and employment to people recovering from mental health problems. The replication process includes a study visit, mentoring at the pre and post launch stage, assistance with scoping the local market, developing the marketing strategy, assistance with recruitment, staff training and shadowing and help with systems development.

Six Mary's Place Guesthouse – www.sixmarysplace.co.uk
Hotel U Pana Cogito – www.pcogito.pl/eng

Advantages of replication

Replication uses proven business models.

You can learn from others' experience and mistakes and take advantage of their expertise.

Replication is characterised by a lower risk of failure because the model used has been informed by good practice.

Disadvantages of replication

The unique selling point of the business you are replicating might not apply locally.

There will be some costs associated with buying in the expertise needed to replicate a business.

Franchise

When you buy a franchise you are buying the right to use a specific trademark or business concept that has already been tested. Thus, you will be able to capitalise on the business format, trade name and support systems provided by the franchisor. Franchising can be a very good way of entering into business development, as you can benefit from adopting a proven business model.

Case Study

Ben and Jerry's Scoop Shop

The Ben & Jerry's Scoop Shop in Aberdeen's Bon Accord Centre is the first franchise of its kind in Scotland, run by Aberdeen Foyer, a local voluntary organisation. Aberdeen Foyer aims to enable homeless and disadvantaged young people achieve social and economic independence. Ben & Jerry's PartnerShop Program is a form of social enterprise, a growing movement in which nonprofit organisations use the power of business for community benefit. PartnerShops are Ben & Jerry's scoop shops that are independently owned and operated by community-based nonprofit organisations. Ben & Jerry's waives the standard franchise fees and provides additional support to help nonprofits operate strong businesses.

The primary aim of the 'PartnerShop' is to offer supported training and employment opportunities to unemployed young people.

Advantages of a franchise

Franchises have a lower failure rate than other start-up businesses, since most of the teething problems have already been solved.

You get a complete package including trademarks, easy access to an established product, proven marketing method, equipment, stock, etc.

You can take advantage of the buying power of the entire network which can help you compete against larger organisations.

Many franchisers provide financial and accounting systems, ongoing training and support, research and development, sales and marketing assistance, planning/forecasting and stock management.

Some franchisers help with site selection so your business is located in an area where it can thrive.

You benefit from national or regional advertising and promotional campaigns by the franchisers.

Disadvantages of a franchise

The essence of a franchise – buying and operating a proven concept – can make it seem like you are more of a manager than a boss.

It can be expensive to buy and operate a franchise. Upfront costs can be significant and ongoing royalty fees may impact on your cash flow.

Just as a franchiser's reputation can benefit you, the franchiser's problems are also your problems.

Your franchise agreement is a binding contract and can be quite restrictive. This can be problematic if the franchiser does not understand the local market or the social needs that you are aiming to meet.

Purchasing a franchise usually requires legal advice – this can be costly.

In opting for a franchise agreement, you agree to be bound by its terms. You should have your solicitor and/or accountant check the franchise agreement before signing anything.

Before you decide on a franchise talk to other franchisees. Ask about their experiences. Key questions are: 'Would they do it again?' and 'What would they do differently?' Listen carefully to their answers.

Social Franchising

You could opt to franchise from an existing social enterprise. The process is similar to a private sector franchise.

Case Study

Greenworks

The primary purpose of Green-Works is to bring good quality, low cost furniture to the 3rd sector and small start up businesses. Green-Works operates its warehouses through a network of regional distribution partners; other community and not-for-profit organisations. All of these outlets have the common aim of providing training and employment to the disadvantaged, disabled or long-term unemployed. There are currently 8 regional outlets from Woolwich in the south east to Paisley in Scotland.

www.green-works.co.uk

The advantages and disadvantages are similar.

Advantages of a social franchise

There may be closer values base for joint working.

Disadvantages of a social franchise

In some cases, the franchise may not have been fully tested.

Buying an Existing Business

Buying an existing business is a sensible alternative to starting a business from scratch. It may seem like an easy option but buying an existing business needs a methodical approach.

There are a range of issues to consider including why is the business being sold, how much investment is needed to grow and develop the business, what is included in the purchase price etc.

Due dilligence is required throughout the process.

You should not jump into buying any business that is offered to you. Think carefully and ensure that you take a strategic decision based on an analysis of the current business operation and the market the business is operating in. You might find it useful to carry out a SWOT (Strengths/ Weaknesses/ Opportunities/Threats) analysis for the proposed business. Ensure you get feedback from its existing clients, suppliers and competitors during this process. Most importantly, however, you should revisit your original motivation to ensure an appropriate match exists.

Case Study

Rolls on wheels

Rolls on Wheels, a lunch delivery and outside catering service operating in Edinburgh city, was purchased as a 'going concern' in 1990. Having worked through a range of operational problems, the core business has remained the same, delivering sandwiches and snacks to many businesses in the city with commercial contracts to supply the Lothian Primary Care Trust and several language schools. This represents about 60% of a 7-fold increase in turnover since 1990. Rolls on Wheels has developed its corporate buffet menu and now caters for meetings, functions and events for a range of city organisations.

www.rollsonwheels.co.uk

Advantages of buying an existing business	Disadvantages buying an existing business
Established track record	May need to establish new identity
Goodwill of existing customers and suppliers	May not fit with your social aims/ethos
Business may be operating to scale to make social impact achievable quickly	Why are they selling it?
Existing sales and customers	Employment rights of existing staff must be maintained
You take on existing staff, premises, stock and equipment	The values base of the existing staff may not fit with your organisation.

Only buy an existing business when you are sure that the business is right for you. Above all, make sure that you take legal advice before signing to complete the purchase.

Forth Sector and Social Firms of Scotland are developing approaches to support organisations wishing to buy existing businesses. See the resources section for contact details.

Buying the business is only the beginning! You will still need to work through the rest of this guide to develop a business plan for your 'new' business while you run it on a day-to-day basis.

Public Sector Procurement

Social enterprises are becoming increasingly involved in the provision of services to public sector agencies. This is clearly a growing market opportunity. However, if your organisation is interested in tendering for public sector contracts you will have to consider how you will manage the transition from grant-funded organisation to service provider. In doing so, you should not underestimate the degree of change required to operate on a commercial basis and win contracts in what is a fairly competitive market.

There is considerable scope for social enterprises to work together and inter-trade – providing valuable experience in contracting. Such ventures would provide your organisation with an opportunity to increase your capacity with a view to taking advantage of the growing opportunities within the public sector.

Advantages of public sector procurement	Disadvantages of public sector procurement
The public sector is a substantial and increasingly accessible market	Usually, contracts are for the short term, which has implications for recruiting/training staff and buying the capital equipment you might need in order to fulfil contracts.
There is a growing trend within the public sector to look to the social enterprise sector to deliver services. This is likely to increase as public bodies embrace the ethos of 'best value' and look to the social added value that social enterprise offers.	The public sector can be a complicated, bureaucratic market to enter and will require research and resources to find appropriate opportunities and build capacity.
There is some potential to expand into other geographical areas and client groups.	There is no standardised approach to procurement across the public sector.
The public sector is a reliable payer as public bodies are required by law to settle their bills within very specific time periods.	There is stiff competition for tendering.
Delivering a regular service will provide you with a steady income to replace your reliance on piecemeal grant support.	The nature of procurement necessitates the formalisation of buying your service and consequently has the potential for introducing penalty clauses and small print where previously none existed.
	There is a risk that your organisation will become over-reliant on one customer and this might put your organisation at risk should you lose the contract.

Case Study

Sunderland Home Care Associates

Sunderland Home Care Associates stems from a workers co-operative going back to the early 70s. In 1993 Sunderland Home Care Associates took off in its present form with a contract from Sunderland Social Services Department to supply home support. In that first year it was contracted to provide 450 hours of care. Some twelve or so years later, the service now employs 200 people, provides personal care and domestic services for 4000 hours per week and turnover has reached £1.75 million. SHCA also works closely with Sunderland University and Sunderland FE colleges to support a number of students with disabilities. SHCA has created a model that can be transferred to other areas and has already resulted in the development of North Tyneside Home Care Associates, Newcastle Home Care Associates and Manchester Home Care Associates.

See 'Tendering for Public Sector contracts: A practical guide for social economy organisations in Scotland' (Scottish Executive 2004). This publication is detailed in the Resources section.

'Public Procurement: A toolkit for social enterprises' by the Department of Trade and Industry (DTI) provides guidance to social enterprises seeking to enter the public procurement market. See the Resources section for details.

Transforming your existing organisation

Many community or voluntary organisations consider transforming into social enterprises. They see advantages in becoming less reliant on grant aid and moving towards generating the majority of their income from sales of goods and services or commercial contracting with the public, private or third sector. Some of the most well-known social enterprises in the UK, such as 'The ECT Group' and 'The FRC Group' have made this transformation. Housing Associations are a good example of successful development in this area and have in some way acted as catalysts for social enterprise development.

One of the drivers of this process is the increasing expectation that voluntary or community organisations adopt a more 'business-like' attitude. Another driver of this process is the potential decline in traditional forms of funding support for the community and voluntary sector. If your organisation is interested in transforming itself into a social enterprise there are challenges that lie ahead but there is a wealth of support and expertise to support you.

Case Study

The Kibble Centre

The Kibble Centre in Paisley is one of Scotland's largest social enterprises, with a strong social mission and best business practice. Kibble was founded in 1859 to work with young people with a range of behavioural problems by a charitable bequest and financed by grants from central and/or local government. Changes in local government in 1996 provided the catalyst for the transformation to social enterprise. Since 1996 Kibble has doubled the number of young people it works with, developed a robust infrastructure to support the organisation, increased local employment opportunities and is now a national resource. Earned income represents around 93% of Kibble's £11m turnover. Established in 2004, KibbleWorks is the enterprise and employment hub and provides a growing portfolio of social enterprises offering employment training opportunities for care leavers. Awards recognising achievements in professional practice, staff development, business enterprise and equality have helped build organisational credibility.

Advantages of transformation

You already have the core business in place and will be focusing on how to move this from being based on grant aid to commercial contracting.

Development support is available to help you make this step.

Other organisations have achieved this transformation, so models of support and development are available to you.

Through selling goods/services you can start to generate a profit and become more viable or sustainable.

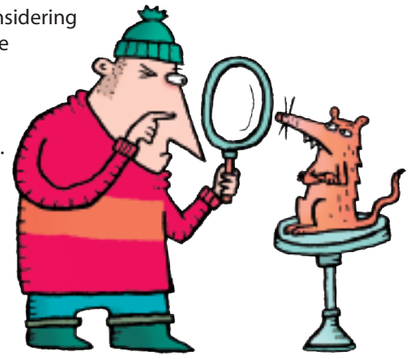
Disadvantages of transformation

Transformation requires a culture change within an organisation. This can be hard work within a well-established organisation.

You need to be clear that there is a 'market' for the goods/services that you now want to sell rather than be grant aided to provide.

There is a range of social enterprise intermediaries that can support you through this transformation process. Details are provided in the Key Contacts section.

How can you analyse external market forces?



You should start to think about the various options you are considering for your organisation in relation to the external market, because ultimately you must be able to sell the product or service that you might choose.

A PEST analysis is designed to help you undertake this exercise. Pest stands for Political, Economic, Social and Technological. This may sound complicated but it does not have to be. You simply need to assess the trends that affect the market, in which you will be operating. Consider how, in turn, these might affect your own organisation. A PEST analysis is a good way of capturing and organising all of these external factors.

The types of issues you need consider are:

What particular external factors impact on your organisation/idea?

How will emerging market trends affect your organisation/idea?

What level of risk does this represent for your organisation?

With these trends can you identify any niche market you might exploit?

This type of exercise is best undertaken with a group of people to ensure that you get a broader perspective about the trends affecting your organisation. There will be areas that you may not know the answers to and inconsistencies in the way these trends are impacting upon different aspects of the business. However, the primary reason for undertaking a PEST analysis is to increase your understanding of the trends, not to sort out all the answers.

Use the model below to think about the various external factors that might have an impact on your ability to deliver the particular product or service that you have in mind.

External analysis			
Political	Economic	Social	Technological
These can be political factors or policy decisions that affect the operating environment	These are issues that affect the purchasing power of customers and other businesses	These are factors that affect customer needs and potential markets	These are innovative developments or trends that might affect markets
Examples: Tax Employment Environmental regulations Trade restrictions/tariffs Political stability Europe	Examples: Economic growth Interest rates Exchange rates Inflation Unemployment Supply/demand	Examples: Demographic and cultural changes Population growth rate Social attitudes Employment environment	Examples: Research & development Automation Technology Innovation

Based upon your conclusions, you should re-evaluate your business idea, identify any relevant trends and any potential niche markets and revisit your options appraisal. You may need to reconsider some of the decisions or assumptions you have made previously.

How do you carry out a commercial appraisal?

Although you will have some unanswered questions, it is at this point that you should begin to get a clearer idea of the type of business you want to run and a clearer idea of the social impact you might want to make. The key question is, how do ensure that you get your ' balance of aims' right? This is a common challenge for many social enterprises. You might also like to think about how this will affect the balance between your commercial and non-commercial income.

Achieving a balance of aims

Remember that your motivation is your starting point and your business is the vehicle by which you hope achieve your social aims. When trying to conduct a commercial appraisal, we've found it can be useful to consider your commercial purpose, the potential idea/business option, alongside your social purpose.

As an example, below we've outlined some of the questions that an organisation seeking to set up a social firm might ask. Social enterprise bridges the divide (where you see the dotted line) seeking to achieve commercial success in so far as it has a positive impact upon any stated social purpose. In this particular case, there may be some potential to reduce overheads but if the purpose of the social enterprise is to provide employment opportunities it is highly unlikely that a reduction in staff costs would be considered appropriate. Where there is no conflict of aims, there is potential to take action.

Commercial purpose	Social purpose
How much growth potential is there in the market?	Does the business provide the opportunity for a supportive working environment?
How much profit can I make on each product?	How many jobs will the business create?
How far can I reduce the costs of my overheads (e.g. staff) in order to increase my profit margin?	How varied is the range of jobs you think might be created by the business?

It is impossible to be prescriptive about the questions that you should ask, as they will largely depend on your specific business idea, the related market potential, the motivation of your organisation and the social impact that you are seeking.

Achieving a Balance of Income

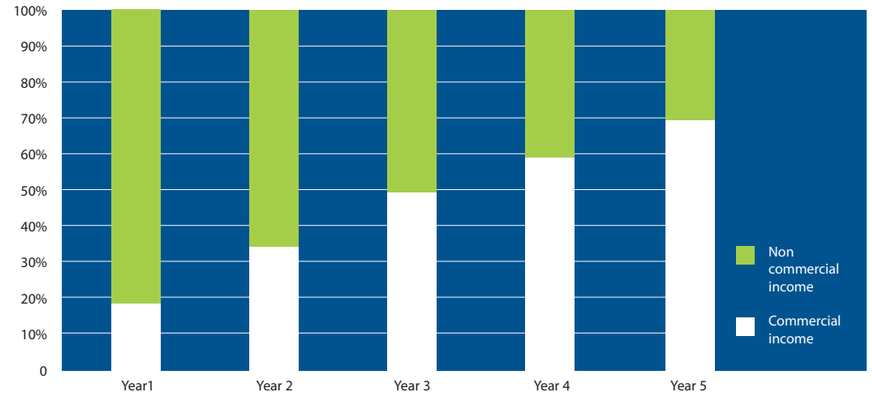
You might find it useful to look at the balance of incomes that you are going to need to sustain your business. Some social enterprises, e.g. co-operatives, employee-owned business and social businesses, aim to generate 100% of their income from commercial activity. Others, such as social firms and development trusts, might only look for 50-75% of their income to come from commercial activity – because this may be more achievable given the social impact they are seeking.

You should aim to generate more and more of your income from commercial activity, as you move towards the social enterprise becoming viable and sustainable. This will give you greater security and release your reliance upon grant funding. However, it may be that you never achieve 100% commercial income and getting the balance of commercial and non-commercial income right will be a key factor to your success. The table below illustrates the key differences between commercial and non-commercial income.

Non-commercial income	Commercial income
Grant aid – grant funding from either public sector funders, charitable trusts or other funding bodies such as The Big Lottery	**Sales** – selling goods or services to individual customers
Service Level Agreements – outcome related grants where the public sector provides a 'fee' for a specified service	**Contracts** – legally binding contractual arrangements to supply goods and services to other organisations, businesses or public agencies
Donations – charitable giving by individuals or businesses (can be cash or 'in-kind')	**Sponsorship** – receiving payment in return for advertising or publicity

There is no right funding composition for a social enterprise. This will depend upon which market you will be operating in, your stage of development and the social impact that you hope to achieve.

Example of a balance of incomes



As you develop your business, the diagram above illustrates how you might balance the non-commercial and commercial income each year. The focus here is to increase sales income and reduce reliance on grants.

What can you add to the business plan?

You should now be able to complete the following sections of the business plan:

What are the external trends that will effect your business?

How do you plan to move towards commercial sustainability?

What is your business idea?

Testing your idea

So far we've focused on stimulating an idea, shaping and moulding it based upon your past experiences, motivations, organisational capacity and the external environment. Stage 4 will require you to start putting some of that thinking into practice.

You will do some initial calculations, a bit of practical work to check whether you have a sound business proposition. This stage is particularly important as it will allow you to determine whether or not your idea is worth pursuing.

How do you test whether you have a good idea?

You will need to determine whether or not there is a market for your social enterprise. You may be able to identify a need but it will only be a market if someone is willing to pay you for your product or service.

Who are your customers?

Why will they buy goods or services from you rather than your competitors?

How much will they be prepared to pay?

These questions might be difficult to answer but if there is no market for your idea then there is no point proceeding. Although this may seem harsh, stage 4 is designed to help you to answer these questions. It should give you the confidence necessary to invest time, energy and resources into fully exploring your idea with a view to development.

A well thought out business idea should identify a market for any proposed product or service. A well thought out social enterprise needs to be similarly matched to the market but will also need to ensure that this is appropriate to the organisation's stated social purpose.

A 'quick and dirty' piece of scoping should give you more of an idea about the potential market and will help you to decide whether you should take your idea forward.

Basic Research

In order to examine the implications of these knowledge gaps, you will probably need to undertake some basic research to ensure that any assumptions that you might make are sound. Your research will also highlight any potential issues with respect to your idea. It will also help you to focus on your target customer and be more specific about the type of product or service that you might offer.

Market research can be broadly divided into two categories – primary and secondary:

Primary research	Secondary research
Asking competitors or small groups of potential customers	Information from trade journals
Watching what the competition is doing or what potential customers do	Information from government reports
Testing the product. This probably leads to the best data	Information taken from competitors' promotional literature and price lists
	Publications and other media aimed at your target market. The internet can be a useful source
	Information from 'surveys' or questionnaires

As you are just starting out, your resources will probably be fairly limited; therefore your initial research will probably have to be quick and cheap. That's ok. This is just the first step in researching your idea and the process of market research should be a continuous one through the lifespan of your business.

Using the research methods above, consider your position in relation to the following:

The Market – Ask yourself, how will you reach your customers? How much will they be willing to pay for your goods or services? How much will it cost to market to them? You will need to prove that a market exists for your business idea. Start with an estimate of the likely demand for your product or service. Identify any competitors and, if possible, try to find out about buying patterns for the specific product or service you have in mind.

Competition – is a double-edged sword. A competitive marketplace indicates that demand exists for your product or service but it also means you will have to try harder and be better in order to take business away from your competitors. A direct competitor is someone who is selling the same product or service as you. Indirect competition refers to all of the other ways in which customers might choose to spend their money. Try to identify your competitors.

Operations – What resources would you require to run the business? Consider overheads areas such as staffing, skills, training the workforce, marketing costs, equipment, etc. as well as the cost of any raw materials.

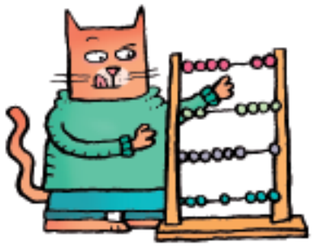
Finance – How will you fund development? How will you pay for the day to day running of the social enterprise? It may be that you require a mix of funding. If you do require some non-commercial income to cover the costs of the social enterprise where will this come from? Will you access development finance? How much do you need? How much will it cost to borrow? It might be useful to talk to a bank at this stage to see if they would consider providing loan finance for your venture.

Pricing the Product or Service

If you are able to identify a market that's great but you will also need to check whether your business idea is viable. To do this you will need to work out what price you will charge for the goods or services you plan to sell. The following example illustrates how you would go about working out the break-even point for a business. In this case, the business is a sandwich shop so the 'unit' is a sandwich.

We've started by calculating the fixed costs – i.e. the things that have to be paid for whether or not we sell anything. In this particular example, the fixed costs are £82,200 per year.

Business overheads – fixed costs per year	**£**
Rent and rates	7,500
Heating and lighting	800
Salaries and wages	66,000
Advertising	4,500
Stationery	600
Interest on bank loan for equipment	1,800
Other expenses such as legal and accounting fees	1,000
Total	82,200



After conducting some basic market research (i.e. checking the prices our competitors charge) we determined that our potential customers would be willing to pay around £1.50 for a sandwich. We've estimated that it should cost around 50p to make each sandwich.

Gross profit
In order to calculate the gross profit per unit we deducted the unit cost of sales (i.e. 50p) from the sales price (i.e. £1.50). This figure (i.e. £1) was then used to calculate how many sandwiches would need to be sold in order to cover the fixed costs, and thereby allow the business to break even.

Annual sales
The total cost of overheads was divided by the gross profit per unit figure. This gives an annual sales target of 82,200 sandwiches.

Break even
This figure was then used to calculate the daily volume of sales required to ensure the business would be viable by simply dividing the amount of annual sales required by the number of expected trading days (250). In the case of the example we've used, the break even point of the business is 82,200 sales which means that the shop would have to sell an average of 329 sandwiches per day.

Having looked at the competition, we identified that the peak period for sandwich sales was lunchtime between 12 midday and 2pm. We were then able to estimate that we would have to sell 165 per hour or nearly three sandwiches per minute to break even. This seems unrealistic.

Calculating a break even price

Unit sales required per day to break even 329
Annual unit sales (82,220) divided by number of trading days (250)

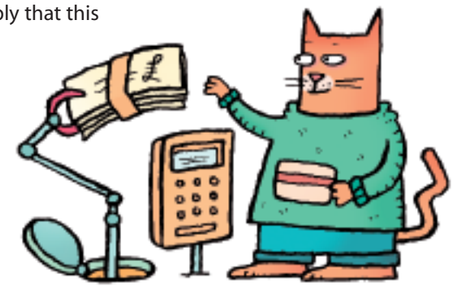
Annual unit sales required to break even £82,200
Annual cost of overheads (£82,200) divided by profit per unit (£1)

Gross profit per unit £1
Price per unit (£1.50)
Minus cost per unit (50p)

Having looked at the competition, we identified that the peak period for sandwich sales was lunchtime, between 12 midday and 2pm. We were then able to estimate that we would have to sell 165 per hour - or nearly three sandwiches per minute - to break even. This seems unrealistic!

Use this approach to evaluate your business idea. Once you have identified your breakeven point, you will have to determine whether you could realistically achieve the volume required for your business to work.

As a consequence of applying this exercise to your own idea, you should be able to determine whether the figures stack up. It is likely that you will identify a number of unknowns in terms of the market. As long as the figures seem to suggest that the idea has the potential to be financially viable then it is worth moving onto the next stage in order to explore its potential in greater depth. However, if the figures do not stack up, i.e. you cannot see how you will make the sales to cover the costs, then you should not proceed with its development as a social enterprise. That is not to say that you should abandon all hope of developing a social enterprise but simply that this particular idea is probably not suited to the social enterprise model.



"We need to be much better at differentiating between a social need and a market demand. Too often we see wishful thinking where hard headed realism should be."

Liam Black/Jeremy Nicholls, There's no business like social business

Reality check

Hopefully testing your idea will have enabled you to see your enterprise taking shape and start moving from an idea towards reality.

By this stage you should have:

Identified your potential market.

A clear idea of who your customers will be.

A good idea about the turnover your social enterprise needs to achieve to break even.

Carried out some practical market research.

You will need to determine whether or not there is a market for your social enterprise. You may have identified a need but it will only be a market if someone is willing to pay you for your product or service.

Good market research at this stage will save your organisation a lot of time and money in the long run.

What can you add to the business plan?

Costs	**First estimate of fixed costs**
Profit	**When will the venture make a profit?**
	When will it break even?
	Does it have targets?
	What will the margins be?
	Will that be enough to make a profit?
Premises and equipment	**Do we need premises to get started?**
	Is the location right?
	What equipment or tools (including transport) will we need?

Exploration

Thus far we've encouraged you to think about the potential market in relation to your idea. Stage 5 will help you to explore your idea more fully, in terms of the scale of that market, and will help you decide whether or not it has the potential to contribute towards the achievement of your social purpose.

You will:

Conduct a feasibility study based upon some in-depth market research with respect to your product/service, customer profile, the competition, a pricing policy, a potential location;

Start to develop a marketing strategy;

Identify the resources you will need to proceed with the business idea and identify any barriers that exist.

We have already touched on many of the key issues you will consider in your feasibility study. However, you will need to consider these in far more depth. The results of the feasibility study will be used as a basis for deciding whether not to start up the social enterprise and consequently it is very important that you can rely on the quality of the information used.

Conducting a feasibility study

The aim of a feasibility study is to find out whether your business idea is realistic and viable. You will undertake a significant amount of research in order to inform the study and it is imperative that you build as comprehensive a picture as possible. Upon completion, you should be able to make an informed decision about whether or not your organisation should develop a social enterprise based upon the idea in question.

Remember to focus on the market for the business and not the social need.

We've found it can be a useful first step to carry out a simple SWOT analysis. Although we covered this in Stage 1 it might be worth revisiting the analysis given that you should now have a far clearer idea of your business proposition and the market in which you will operate.

Some of the key issues you should consider are:

The market

Fulfilling your social aims – e.g. creating a range of employment opportunities in a suitable environment

Set up costs – premises, equipment, etc.

Staffing

Cash flow

Margins

Suppliers

You will need to draw all of this information together and search out evidence to support any assertions that you make within the SWOT analysis.

Remember to use your current staff as they may have expertise to help you with this process.

In-Depth Market Research

You will need to find out as much information as you can about the marketplace in which you will operate. Focus on finding evidence to support your reasons for why and how your potential customers will buy products and services from you.

Don't rely too heavily on secondary research, such as reports. These will usually provide an overview of a particular market but rarely relate to a specific locality.

Try to find out more about the buying behaviour of your potential customer group.
You should ensure that you have evidence to support your answers to the following questions:

What will you have to do to sell to these customers?

Why will customers buy from you?

How many potential customers are there for your goods or services?
How will you reach them?

What price should you sell the goods or services for?

You should use this information to identify the critical success factors in running the business.

Competitors

You may feel you have an original business concept. However, it is likely that you will have a number of competitors. You should find out who they are and as much as possible about their operations.

The key questions you need to answer are:

Why are people buying goods and services from your potential competitors?

What are your competitors' strengths and weaknesses?

This information is crucial if you to identify a 'niche' in the market. In order to this you will need to find out what it is that they are not doing. How can you give your business that edge?

Your social enterprise	Competitors
Who are your customers?	What do your competitors do/not do for these customers?
What could you do differently?	How would the competition react?
What is your market potential?	Is there a particular area if the market not being met? Can you identify a gap in provision?
Are there any restrictions impeding your reach with respect to the customer?	How have your competitors overcome these restrictions?
Are there any restrictions on distributing to your customers?	What is the extent of your competitor's reach?
What are the future prospects for your business?	Where are your competitors going?

Be wary if there appears to be a lack of competitors as we've found this usually indicates the absence of a market rather than an untapped one.

Making Sense of the Market

You must try to read your potential customers' behaviour as far as possible. The jargon around 'making sense of the market' can be quite intimidating but essentially the main elements you will have to consider are:

Demographics – basic information about the characteristics of your potential customers (e.g. age, gender, location, profession, income bracket, etc.);

Psychographics – information about attitudes and lifestyles which will affect their buying behaviour.

> Business advisers from specialist social enterprise support organisations will be able to help you to find sources of market information. See the Key Contacts list for further details.

The marketing perspective

Analysing your business idea from a marketing perspective will require you to draw conclusions about the following:

Price – This should reflect the value placed on the product or service by the customer.

Product – This can refer to a service as well as a physical product as it encompasses tangible and intangible characteristics. It can also be used to include people and any values associated the brand.

Place – The product or service should be available when and where the customer wants it.

Promotion – The promotional mix can include advertising, direct mail, PR, cold calling, trade fairs, networking events, word of mouth, etc.

People – Does your team have the necessary skills?

Process – Will you have quality standards to promote, such as Investors in People, Equal Opportunities or Environmental Standards? How will this inform your marketing strategy?

Purpose – Will your social purpose present you with a unique place in the market? If you want to market your enterprise on its social purpose can you prove the impact you make? In some circumstances, where particular target customers empathise with your social purpose, this may get you a foot in the door.

> There are a series of quality and impact tools developed for the social enterprise sector. Details on the range of tools can be found on the website www.sepgb.co.uk.

Promotional mix

Your marketing strategy will involve thinking about how you will promote and advertise your business, product/service:

The most appropriate promotional mix is dictated by the nature of the business and the target market(s). For example, if you will be operating a retail business, you will have to budget for regular advertising to attract prospective customers.

'Above the line' advertising (where you pay for space in printed or broadcast media) can be expensive so it is important to be as realistic as possible regarding the projected costs of promotion and the resources required.

Take note of how other businesses promote themselves and consider the most cost effective means of reaching your target market(s).

If you are developing a website be clear about what you want your website to do for you. Do you want people to buy direct from the website or is it an opportunity for people to find out about you and develop a trading relationship from there?

Most importantly, good promotion and marketing will require to be properly resourced. Ideally, at least one person within your team should have experience in marketing. However, the primary lesson to take away is that marketing does not just take place when the business is launched; it should be proactive and is at the heart of any successful business.

> Social enterprise support organisations can provide you with information which will help you to develop a marketing strategy for your social enterprise. Further details can be found in the Key Contacts section at the back of the guide.

Word of mouth is the best form of advertising. Money cannot buy you good word of mouth, good service does. Remember that research shows that on average a satisfied customer tells 3 people – a dissatisfied customer tells 11 people!

Build up a profile of the type of customer who might buy your products and services. Focus on their existing buying habits, not what they say they will do.

Make adjustments to your idea based on what you have learned from experience.

Although this may seem a lengthy, complicated process, it will be time well spent if you will be able to allocate your resources more effectively and anticipate any risks involved prior to start up.

Social aims

Addressing the issues above is something which all new (and existing businesses) have to do regardless of whether they are social enterprises. However, social enterprises have one further aspect of essential criteria to consider. Although you may have attained a strong focus upon your potential market and ascertained the level of risk associated with developing the business, you will still need to think about whether this meets your social aims. You should refer back to your original motivation. Will you still be able to achieve what you wanted? Can you achieve your social aims through this business? You should be very clear about the social impact that you want to have, because that impact will be a key aspect in setting your business apart from mainstream businesses – essentially, defining you as a social enterprise.

Linking all of these areas together can seem complicated but it is crucial that you engage in this exercise. Skipping over it may mean that you end up starting a business that is unviable.

The Social Enterprise Partnership has developed a range of tools to support organisations to assess the quality and impact of their venture. Details are provided in the Contacts List at the end of the guide. *www.sepgb.co.uk*

What can you add to the business plan?

With the information from the feasibility study your business plan will begin to take shape. You should be able to complete the sections on:

The market

What is our business idea?

What market research have we done?

Who will our customers be?

Who do they buy from now and why?

Why should they swap their custom to us?

What is our route to market? (Retail, etc)

What is our Marketing Strategy?

Costs

Have we considered and added up all the costs?

Have we got accurate cost information?

Do we know the 'cost of sales'?

Is there a margin for contingency in the plan?

Business Planning

Stage 6 step is business planning. Given that you will already have carried out a Feasibility Study and identified a potential market with the potential to help you to meet the social purpose that is motivating you, you should already have much of the information you will need to write a business plan.

Before you begin, you should ensure that you take account of the following points:

You should have completed stages 1 to 5 before you begin writing the business plan.

You should write your plan with your target audience in mind, e.g. the stakeholders or funding/finance bodies.

You should always be clear and concise. Waffle wastes time.

Remember to build in your critical success factors.

It is extremely important to show that you have a 'Plan B'.

Expect to be challenged on your assumptions and ensure that you have evidence to back up your assertions.

The business plan

You need to have a plan. Trying to run a social enterprise without proper planning in place is a recipe for disaster. Up to this point we have focussed on the key areas of motivation, market and management of the process. Now you will be fleshing out the broad ideas you have to ensure that you have everything you need to successfully complete the journey.

We've included a business planning template later in the guide. It might be useful to familiarise yourself with it as you read this section. It will help you to consider the various details that need to be put in place to give you the chance of a successful journey.

In this section we focus on the key areas of business planning. We leave the detail up to you. You will have to tailor your business plan to ensure that it hits the right note with the audience you have in mind.

Your business plan will:

Provide you with a route map. It is not a destination; it should and will change.

Give you credibility and confidence in articulating your proposal when you approach other organisations.

You should consider the following questions before you start to draft the business plan:

Who are you writing the business plan for?

Would you fund or support your social enterprise based on the information you have provided?

Critical Success Factors

By now you will have attained considerable insight into the market, your own organisation and its capacity. You should also have some idea of the external factors which might have an effect upon your proposed social enterprise. You will be able to use this information to determine the critical success factors for your particular venture.

We found that one of the critical success factors associated with our guesthouse, Six Mary's Place (which is a social firm) was location. It's location in the city centre of Edinburgh ensures that it is in an area particularly suited to take advantage of the tourism market.

You should aim to think of at least three critical success factors in respect of your market. Consider whether you have them in place.

Financial Planning

Financial Planning is a crucial part of the business planning process. The more you know about the rest of your venture the more accurate you can be in your financial forecasting. If any funding gaps are likely to occur then financial planning should highlight these ahead of time so that you can do something to address the issue.

Effective financial planning will also be of benefit should you decide to approach a bank or funding body to help you. A business plan will allow you to demonstrate that you have thought about and planned for any hiccups in operation and that you are prepared to deal with emerging problems in a logical way.

Developing an operational budget and a cash flow forecast will help you to focus on the detail of turning your potential market opportunity into a reality. It will also help you to notice any gaps in the planning.

It may well be helpful to have a second opinion on your financial predictions. Your bank may provide this service to you free of charge or you could consider visiting a business adviser. Professionals such as these will be used to looking at business plans and the related financial information, and might be able to make some suggestions which would benefit your particular business. However, even a colleague or friend may be able to spot something you might have missed or identify areas which lack clarity. Such feedback can be very useful, as it may directly challenge your assumptions, and will help you to think through different scenarios before you make a formal approach for investment finance.

Operating Budgets and Cashflow Forecast

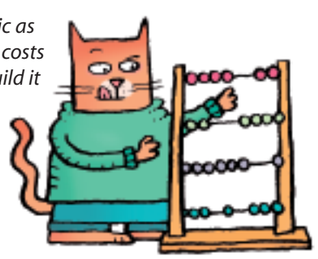
We've found that the most successful businesses are usually those who have planned ahead. Such strategic thinking ensures that they have access to money and resources such time as it's needed – because they were able to budget wisely.

As access to finance will be one of the main factors influencing your capacity to grow, develop and run your social enterprise, this will be one of the key areas investors will focus on. Therefore, it is very important that if you do not understand how to draft an operating budget or a cashflow forecast that you attain the necessary training or services from someone who does. Your local chamber of commerce might be a good place to start.

Poor cash flow management is one of the most common reasons for business failure. Efficient cash flow management will enable you to plan for times when you may need extra cash. It will also help you to plan purchases (e.g. capital items) and to make the best use of your resources.

All forecasts are estimates. You should try to be as realistic as possible and build in some contingencies for unforeseen costs or emergencies. Show this either as a separate item or build it into the overall figures, but above all, show that you have thought about the 'worst case scenario'.

Budgeting is a planning tool that will help you to compare actual performance with the expectations you set out within your cash flow forecast.



Scenario Planning

We have mentioned 'scenario planning' at several points. Anyone that you approach for investment finance will want to see that you have fully considered the risks associated with setting up a business. They will also want to see that you have considered different scenarios in terms of the business, both in terms of sales and operations.

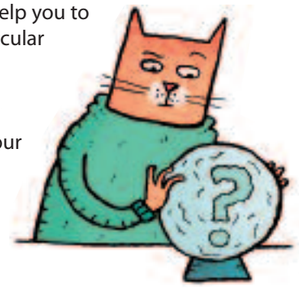
Examples are – What if your business really takes off and you do not have enough resources, staff, etc., to cope with demand? Equally, what if it does not take off immediately and you have to support all your costs while the business takes time to build? What is your "plan B" to cover such eventualities?

Detail the potential scenarios in your business plan.

A key element of 'scenario planning' is succession planning. Have you considered what will happen if key staff leave their posts? How will the business cope?

Investment Finance

In order to start-up your business you will probably need investment finance. You will already have looked at your attitude to risk as a consequence of working through the business development process outlined in the guide. This will help you to take the right decisions about investment finance for your particular business development.



There is a wide variety of factors that will impact on the type of investment finance that you might need, such as: the market, your social aims, your experience of running social enterprise, your reserves, internal resources, capacity, business idea, etc.

There is a complex array of investment finance available from grant support to patient capital through to loan finance. Accessing the right type of investment finance for your social enterprise might be difficult.

For more detailed information on investment for social enterprise refer to 'Unlocking the Potential – a guide to finance for social enterprises' (Social Enterprise Coalition 2004). You can find the details in the Resources section.

Social Investment Scotland, Banks, Community Development Finance Initiatives (CDFIs) or specialist social enterprise development organisations will be able to point you to sources of investment finance. These organisations will also be able to help you with the development of business plans to secure appropriate investment finance. Details of these organisations are in the Contacts List.

Getting the Best Advice

The process of writing a business plan will help you to identify areas where you have a lack of information. There is plenty of advice and support out there to help with business planning. Depending upon the size of your organisation, you may have internal resources that can be called upon to help with complex issues, such as legal status and finances. However, if this is not the case then the following table will hopefully give you an idea of where you might access the appropriate help.

Key Area	Issues Involved	Assistance
Start-up Finance	Business development costs Financial Planning	Specialist social enterprise development agencies
Budgeting and financial planning	This will help you to keep control of your costs and plan ahead	Business adviser at your bank Local Chamber of Commerce Small Business Adviser
VAT Registration	Whether you are VAT registered or not will have an impact on your budgeting	Customs and Excise
Company/Charity law	What is the best legal structure for your social enterprise idea	Lawyer, seek legal advice before you adopt a legal structure
General legal matters such as property/ equipment purchase or lease	Do you understand the lease arrangement	Lawyer, consult before signing leases or contracts
Insurance	Health and safety Public liability Property	A good insurance broker will tell you what type and level of cover you will need
PAYE, National Insurance	Legal responsibilities of employing staff	Inland Revenue
Pensions	Providing a pension for employees	Registered Independent Financial Adviser (IFA)

Writing the plan

There are numerous model business plans available and you may find that one approach is more suited to selling your proposal than another. However, there are some key features that all business plans must contain. These are listed below:

Executive Summary
- This is your best opportunity to make a good first impression.
- A snapshot of what the social enterprise does
- A snapshot of what the organisation does, if appropriate
- Where you are now. Where you want to go. How you will get there.

The Business
- Basic details, name, address, etc
- Business idea
- Social purpose
- Legal status
- Structure

Organisation
- Background of the organisation
- The mission statement/aims of the organisation
- The legal structure
- Management structure
- Basic details as above

Key Staff
- A brief summary of the skills, experience and knowledge of all the people involved in the organisation
- Roles and responsibilities
- Training requirements

External relations
- Relationships with professional and legal representatives, funding organisations
- Relationships with monitoring organisations, trade associations, networks, etc

Product or Service
- Description of products, services or activities

The Market
- Who will buy your goods/services?
- Why will customers buy from you? What is your USP?
- Market research including trends such as change in age group, people moving in, features such as the seasonal effects of tourism
- Competition
- Market testing
- Similar social enterprises

Social Purpose
- Who will benefit?
- Why is there a need for a social enterprise?
- How will running a social enterprise meet the need?
- What type of social enterprise is it? (e.g., social firm)
- What are your external stakeholders' views?

Social Impact
- How will you measure your social impact?
- What tools can support you to do this?
- What evidence of impact do funders and financiers require?
- How much will impact measurement cost?

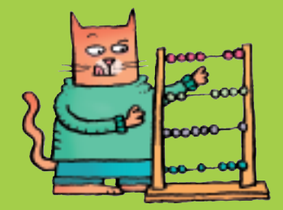
Business Environment
- What support is there to help you to measure your social impact?
- Key issues in the external business environment that may affect your business

Industry Analysis
- Key issues affecting the industry in which you intend to operate

Critical Success Factors
- The main critical success factors for your business

Business Development
- Your strategy to ensure you meet your critical success factors

Turnover & Sustainability
- Expected turnover
- Expected non-commercial income
- Expected profit
- How long it will take to achieve sustainability?
- How will you achieve your expected turnover, non-commercial income and sustainability?
- Scenario planning



Marketing and Sales
- What is your marketing strategy?
- What is your pricing strategy?
- What is your promotional mix?
- What is your customer care policy?
- How do you get customer feedback?
- Who will be involved in marketing?
- What is your marketing budget?
- What is your distribution strategy/process?
- What is your e-commerce strategy?

Premises
- Location and property details
- Cost and proposed method of financing (buy /rent/lease)
- Planning, health and safety issues, building, renovation or adaptation costs
- Insurance

Suppliers
- Who are your main suppliers?
- Who is in the supply chain?
- Are there any alternatives?
- The advantages of using these suppliers

Production
- Quality standards
- Production methods and supervision
- Health and safety

Equipment	**Description and proposed costs of equipment/vehicles to be purchased** **Finance arrangements** **Depreciation policy**
Action Plan	**Key milestones/timelines and associated activities** **Costs and personnel requirements**
Finance	**Budget assumptions (projected income and expenditure)** **Realistic cash flow forecast** **Balance sheet/profit and loss** **Finance required and methods of raising finance** **Funding secured, previous funding or large scale funding** **Assets you have as security** **Alternative methods of finance** **Financial management systems and resources** **Previous experience of loan finance**
Appendices	**CVs of all those involved** **Professional advisers' reports if used** **Quotations for equipment** **Details of premises** **References/letters of support (details of trade association, network memberships)** **Any other supporting material (including details of bank, lawyer, accountant, monitoring agencies)** **Copies of previous years' accounts if you have them**

Check that you have written your business plan with your target audience in mind.

Ensure that you cover a range of options to minimise risk and have considered alternative plans in a worse case scenario.

Remember that your business will change and your business plan should adapt to accommodate those changes over time.

The template within the guide will help to order the information you will require for your business plan. However, the template is merely a guide and you should emphasise or supplement the information wherever appropriate in order to present the best business case for your proposed social enterprise.

Check!

Congratulations! By now, you will have assimilated much of the information and learning you will need to make your venture into social enterprise a success.

Before you proceed to the start up stage, it is advisable to take a quick stock check to ensure you are confident in answering the following questions:

Is all the necessary information in place?

Do the numbers add up and are they realistic?

What are the critical success factors?

Do you have a Plan B?

Are there any barriers to proceeding?

Don't forget that you should regularly revisit your business plan to ensure that any future developments are implemented strategically and effectively.

Start-up

This is where the hard work starts!

Use the following tips to make sure that you are on the right track.

Remember it is vitally important that you review your progress periodically to ensure that you do not lose that all important focus as the realities of running your social enterprise on a day to day basis start to kick in.

Start-up

It is impossible to be prescriptive about everything that you will have to do to run your social enterprise successfully but we've included a few tips that we've found useful along the way:

Top tips for successful start-up

Make sure you have the right person at the helm. It will be easier to encourage a positive organisational culture if the people at the top offer strong leadership, commercial experience and business skills – combined with the right attitude and values, this will help to ensure that you achieve your social purpose.

Build the right team. No single person can be expected to possess all of the skills needed so make sure you have a strong team who can focus on their own area of expertise. Build a team with marketing, business development, financial management, product development, operational and human resources experience. Build a team with shared vision and values.

You will probably be running a business with limited resources so you need to be resourceful in your attitude to **problem solving**.

Things change so you will need to conduct **regular reviews**. Be prepared to think on your feet and alter plans accordingly. This will sometimes mean responding very quickly to situations that you could not have envisaged.

Bureaucracy needs to be kept to the minimum and good team **communication** is essential. Start with good practice and this will pay dividends as the organisation grows.

Build trust with all members of staff not just management. Be prepared to trust your staff and delegate responsibility for day-to-day tasks.

Don't take your eye off the ball as far as the market is concerned. You need to **focus on sales and your customers** will soon let you know if you are not giving them what they want.

Marketing never stops. Don't think that just because you have put effort and resources into marketing at the beginning, you can sit back, relax and wait for the money to roll in. You will have to ensure that you are aware of shifting developments in the markets and that you remain on top of any new technology.

Have patience. It usually takes three to four years for a new business to move towards viability. In this respect, social enterprise is no different.

Passion! Don't forget why you started! You will have good days as well as bad but if you remember your original motives behind starting a social enterprise you can take heart in the real difference you can make.

Appendices

I Key contacts

II Resources

III References

IV Acknowledgements

V Business plan template

Appendix I

Key contacts

Organisation	Website	Tel.
Association of British Credit Unions Limited (ABCUL)	www.abcul.org	0161 832 3694
Business Link	www.businesslink.gov.uk	0845 600 9006
Cabinet Office of the Third Sector	www.cabinetoffice.gov.uk/third_sector	
Community Action Network	www.can-online.org.uk	0845 456 2537
Community Interest Company Regulator	www.cicregulator.gov.uk	02920 346 228
Companies House	www.companieshouse.gov.uk	0870 333 3636
Co-operatives UK	www.cooperatives-uk.coop	0161 246 2900
Development Trusts Association	www.dta.org.uk	0845 458 8336
Disability Discrimination Act Helpline	www.drc-gb.org	0845 762 2633
English Regional Development Agencies	www.englandsrdas.com	
Federation of Small Businesses	www.fsb.org.uk	01253 336 000
Health and Safety Executive	www.hse.gov.uk	0845 345 0055
HM Revenue & Customs New Employers' Helpline	www.hmrc.gov.uk	0845 607 0143
HM Revenue & Customs Newly Self-Employed Helpline	www.hmrc.gov.uk	0845 915 4515
National Council for Voluntary Organisations	www.ncvo-vol.org.uk	0800 279 8798
Royal Bank of Scotland Business Support Helpline	www.rbs.co.uk	0800 197 6026
Skoll Centre for Social Entrepreneurship	www.sbs.ox.ac.uk/skoll	01865 288 838
Small Business Service	www.sbs.gov.uk	020 7215 5000
Social Enterprise Coalition	www.socialenterprise.org.uk	020 7793 2323
Social Enterprise Magazine	www.socialenterprisemag.co.uk	020 8983 1987
Social Enterprise Partnership	www.sepgb.co.uk	020 7388 1888
Social Firms UK	www.socialfirms.co.uk	01737 764021
The British Chambers of Commerce	www.chamberonline.co.uk	020 7654 5800
The Department of Trade and Industry	www.dti.gov.uk	020 7215 5000
The Prince's Trust	www.princes-trust.org.uk	0800 842 842
The Trademarks Agency	www.patent.gov.uk	01633 814 000
UnLtd	www.unltd.org.uk	0845 850 1122
Scottish contacts:		
Business Enterprise Scotland	www.bes.org.uk	0131 561 6293
Business Gateway	www.bgateway.com	0845 609 6611
Community Business Scotland Network	www.cbs-network.org.uk	0131 558 3040
Co-operation and Mutuality Scotland (CMS)	www.scotland.coop	0141 304 5550
Communities Scotland Social Economy Unit	www.communitiesscotland.gov.uk	0131 313 0044
Community Enterprise in Strathclyde (CEiS)	www.ceis.org.uk	0141 425 2900
Community Recycling Network Scotland (CRNS)	www.crns.org.uk	01786 469 002
Developing Strathclyde Ltd (DSL)	www.dsl-businessfinance.co.uk	0141 425 2930
Development Trusts Association Scotland	www.dtascot.org.uk	0131 220 2456
EQUAL 'Social Economy Scotland' DP	www.socialeconomyscotland.info	0141 221 0030
FEAT Enterprises (SEDP)	www.sedp-fife.org.uk	01592 769 258
First Port	www.senscot.net	0131 220 4104
Forth Sector	www.forthsector.org.uk	0131 659 4740
Highlands and Islands Enterprise	www.hie.co.uk	01463 234 171
Highlands and Islands Social Enterprise Zone (HISEZ)	www.hisez.co.uk	01463 715 533
Prince's Scottish Youth Business Trust	www.psybt.org.uk	0141 552 7555
Scottish Enterprise	www.scottish-enterprise.com	0141 204 1111
Scottish Social Enterprise Coalition	www.ssec.org.uk	0131 557 1516
SENScot	www.senscot.net	0131 220 4104
Social Enterprise Academy	www.theacademy-ssea.org	0131 220 5333
Social Firms Scotland	www.socialfirms.org.uk	0131 225 4178
Social Investment Scotland	www.socialinvestmentscotland.com	0131 558 7706

Appendix II

Resources (by subject)

A Business Planning Guide to Developing a Social Enterprise.
Forth Sector (2005)
Available from Forth Sector
0131 659 4740

Competitive Advantage in SMEs: Organising for Innovation and Change.
Edited by Oswald Jones and Fiona Tillet (2003)
Available from http:/eu.wiley.com and www.business.mmu.ac.uk

Equity Report Executive Summary.
CEIS (2002)
Available from www.ceis.org.uk

Keeping it legal: a guide to legal forms for social enterprises (2nd edition).
Social Enterprise Coalition/ Bates, Wells & Braithwaite (2006)
Available from:
www.socialenterprise.org.uk;
www.bateswells.co.uk
ISBN 0-9546076-2-7

Legal structure toolkit.
Social Enterprise Edinburgh (SEE) (2004)
Available from Forth Sector
0131 659 4740

Legal Structures for Social Enterprises.
Forth Sector (2004)
Available from Forth Sector
0131 659 4740

Managing and Measuring Social Enterprise.
Rob Paton (2003)
Available from www.sagepub.com

Public Procurement: A Toolkit for Social Enterprise.
DTI (2003)
Available from www.dti.gov.uk

Social Enterprise in Anytown.
John Pearce (2003)
Available from
www.cbs-network.org.uk

Taking a Loan of Finance.
SCVO/Social Investment Scotland (2003)
Available from
www.socialinvestmentscotland.com

Tendering for Public Sector Contracts: A Practical Guide for Social Economy Organisations in Scotland.
The Scottish Executive (2004)
Available from the Stationery Office Bookshop, Edinburgh 0870 606 5566 and
www.socialeconomyscotland.info

There's More to Business Than You Think: A Guide to Social Enterprise.
Social Enterprise Coalition (2003)
Available from
www.socialenterprise.org.uk

There's No Business Like Social Business.
Liam Black and Jeremy Nicholls (2004)
Available from www.the-cats-pyjamas.com

Unlocking the Potential, A guide to finance for social enterprises.
Social Enterprise Coalition (2004)
Available from
www.socialenterprise.org.uk SEC
ISBN 0-9546076-1-9

Appendix I

Business planning template

Executive summary

The business		
Name		
Address		
Key contact	Name	
	Telephone	
	email	
Legal status		
What does your business do?		
Date business was/will be set up		
Social aims (include mission statement)		
Background information		

The organisation (if applicable)		
Name		
Address (if different from above)		
Key contact (if different from above)	Name	
	Telephone	
	email	
Chief executive or manager (if different from above)		
Legal status		
Management structure/relationship between organisation and venture		

Directors	Attach CVs or brief details a appendix
Social purpose (include mission statement if different from above)	
Background information	This should be a short summary of the organisation. This should focus on range of activities and current funding and finance. Attach relevant information such as audited accounts, M&As, structure, etc as an appendix.

Key staff

Name, age and qualifications	Job title	Date joined

Please also attach CV details of Key Staff as an appendix – this should include past experience and current job responsibilities.

Number of employees (in new business):

Details of staffing of business (include details of succession planning)

Details of any key staff to be recruited
(Attach job descriptions of new key posts as an appendix)

Training requirements of staff

External relations

Attach as appendix details of following (if applicable):

Bank

Lawyer

Accountants

Monitoring officers (LA departments etc)

Provide details of trade associations or networks that you are members of:
(Detail the organisation/association and what involvement you have)

Product or service

Your products or services, including prices (if available)

Social purpose

Give brief details of the social purpose you will meet through running your social enterprise.

Who will benefit?

Why is there a need for this social enterprise?

How will running the social enterprise meet the need?

What is the type of social enterprise that will be run? (if applicable – for example social firm, development trust, etc)

Briefly detail your strategy to meet the critical success factors?

The market

Customers – who will buy your goods/services?

Why will customers buy from you?

Market Research – detail the market research carried out, what trends were identified etc?

Competitors – detail major competitors, their strengths/weaknesses and pricing strategies:

Market testing (if applicable) – detail any results from this:

Similar examples (if applicable) – details of similar types of social enterprises and what can be learned from them

Business environment

External environment – Briefly detail key issues in external environment for your business (include information from any PEST Analysis):

Industry analysis

Briefly detail key issues for your industry (include information from any SWOT Analysis):

Critical success factors

Briefly detail the main critical success factors for your industry:

Business development strategy

Briefly detail your strategy to meet the critical success factors?

Turnover and sustainability

	Year 1	Year 2	Year 3
What sales turnover is expected?	£	£	£
What non-commercial income do you have?	£	£	£
What profit do you expect to achieve?	£	£	£

How long will it take you to achieve sustainability?

Give reasons why you will achieve your expected turnover?

Give reasons why you will obtain non-commercial income?

Give reasons why you will achieve sustainability?

Scenario Planning (best / worst case scenarios and what you will do to achieve sustainability)

Marketing and sales
What is your 'marketing strategy'? (include any e-commerce strategy)
What is your pricing strategy?
What is your promotion and advertising strategy? (Please attach any relevant material)
What is your customer care and customer feedback strategy/policy?
Details of the people involved in marketing:
What is your budget for marketing?

Premises	
Insurance – please give details	
Location: ☐ Buy ☐ Rent ☐ Lease	
Buy	**Rent/Lease**
Owner of property	Rent/Lease (per year)
Valuation of property	Rent/Lease agreement
Mortgage details (if applicable) Amount of mortgage	How often do you pay?
Offer/conditions	Rent/Lease term:
Equity	Will you be able to renew the rent agreement/lease? ☐ Yes ☐ No
Length of mortgage (if applicable)	When is the next rent/lease review?
Additional information: Other loans/borrowings secured against property	How often are reviews?
	Who is responsible for repairs? – inside the building
Other occupants renting etc:	– outside the building
Rates per year: £	

Suppliers

Who are your major suppliers?

Are there alternatives?

What are the advantages of buying from the suppliers shown above?

Production operation

Include relevant details on production/operation including business review, quality standards, supervision, production methods etc:

Equipment and vehicles

Equipment/vehicles – current

Description	Age	Condition	Spare capacity	Value/Cost

Equipment/vehicles – required

Description	Date of purchase	Condition (new/used)	Spare capacity	Value/Cost

Please detail finance arrangements of any equipment/vehicles required.

Depreciation policy – please give details:

Action plan (for new ventures)

Please give brief details of key milestones and activity required to set up social enterprise including information on who will carry out activities and associated costs.

Finance
Profit & loss: Please provide projected profit and loss figures for first three years as an appendix
Brief details of budget assumptions:
Realistic cashflow forecast: Please provide realistic cashflow forecast for first three years as an appendix.
Brief details of cashflow forecast:
Balance sheet If required please provide as an appendix.
Amount of development finance required – what you need it for and for how long (give details of each item if necessary):
Please provide details of any security provided:
Please provide any details of finance of funding secured – what you have it for and for how long:
Details of any previous borrowing (if applicable):
Details of any large scale funding (that may affect this social enterprise):
Scenario Planning if funding/finance not secured from preferred suppliers:

References

Royal Bank of Scotland Business Planning Guide

Natwest Business Planning Guide

Burgess A. (2003) Tolley's Charity Trading

Department for Trade and Industry (DTI) (2002) Social Enterprise, A Strategy for Success

Department for Trade and Industry (DTI) (2003) Public Procurement: A toolkit for social enterprises

Social Enterprise Coalition (2004) Unlocking the Potential: A Guide to Finance for Social Enterprises

Social Enterprise Coalition (2006) Keeping it Legal: Legal Forms for Social Enterprises

Social Firms UK Legal/Financial Structures for Social Firms: Geoff Cox Economic Partnerships

Scottish Executive (2004) Tendering for Public Sector Contracts: A Practical Guide for Social Economy Organisations in Scotland

Black L. and Nicholls, J. FRC Group (2004) There's No Business Like Social Business

Acknowledgements

Forth Sector would like to acknowledge and thank the following people who have contributed to the development of this guide. A number of staff within Forth Sector including Kevin Robbie, Neal Mackay, Beth Brewis, Kate McDonald and Lee Wilson contributed or worked on the development of the guide. Other staff worked to proof read and layout the document. We would also like to thank the many organisations that have received business development support from Forth Sector and have provided feedback to us on the usefulness of aspects of the guide.

Sheena Orr carried out the initial piece of research into the business development process for social firms and worked with Forth Sector to map out this process, presented and shared the results with Forth Sector and Social Firms Scotland staff and facilitated discussions about the potential development of the process.

The Royal Bank of Scotland and NatWest are thanked for allowing Forth Sector to adapt their business planning template.

Also we would like to thank a range of people working for the Royal Bank of Scotland, the Scottish Social Enterprise Coalition, the Community Recycling Network (Scotland), FEAT Enterprises, SENScot and Social Investment Scotland who provided input to the original guide. We would also like to thank the many social enterprises that gave us permission to case study their work within the guide. Hopefully they will be an inspiration to others following in their path.

The guide has been part-funded by the European Union (Equal Programme) and part-funded by the Royal Bank of Scotland and Communities Scotland. Neither the European Union, the Royal Bank of Scotland/NatWest, Communities Scotland nor Forth Sector are liable for any use that may be made of the information herein. The guide has been developed on an 'open source' basis. The authors and funders are happy that the information contained within the guide is freely used and developed as long as authorship and funding support is acknowledged.

The information within the guide is for general guidance only. Measures have been taken to ensure that the information is accurate and up-to-date at the time of publication but we cannot be held responsible for any errors resulting from use of this information.

Designed and produced by Society Media: Illustrator
Spike Gerrell, designer Beverley Middleton
www.societymedia.co.uk