

Nell Edgington



Create a Business Plan for a Social Enterprise

**A Social Velocity
Step-By-Step Guide**

No. 1

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Why Write a Business Plan?

A business plan for a nonprofit earned income venture or a social enterprise is absolutely essential. Without going through the exercise of articulating what the business is, who your customers are, their willingness and ability to pay, how you will reach them, what you will charge them, etc. your business has a high likelihood of failing. You cannot go to market with a new product or service without doing your homework.

A business plan helps you figure out how to successfully:

- Find customers who want what you are offering and can and will pay for it
- Price your product/service
- Market the business
- Staff the new business
- Determine what it will cost to run the business and if/when you will make a profit
- Raise the startup money necessary to launch the business
- Overcome roadblocks and risks

How to Use This Guide

This guide will walk you through the various sections of the business plan and ask you relevant questions. Your answers to these questions will be the basis for each section of the business plan. So feel free to start with a blank Word document with the 7 headings below. As you work on each section, write your answers to the guide's questions under that heading in your Word document. Once you have answered all of the questions in this guide, you can go back and edit your answers into a coherent, complete narrative, which will become your business plan.

Because each section builds on the next, you will want to complete the sections in order. Keep in mind that the creation of a business plan is a process that takes time. You will not be able to finish a business plan in a day, or even in a couple of weeks.

Here are the sections we will walk you through:

1. Market Analysis
2. Business Model
3. Marketing Plan
4. Management and Staffing
5. Finances
6. Risk and Mitigations
7. Year 1 Operating Plan
8. Next Steps

The final business plan will be anywhere from 10-20 pages, so each part should be only 1-2 pages at most. Keep that in mind as you craft your answers to the questions in this guide.

Section 1: Market Analysis

The Market Analysis is the most critical part of the business plan, so please don't skip it. This is where you analyze the market to determine what the opportunity is, and how you can most effectively capitalize on it. You will need to get out into the market (through surveys, one-on-one interviews, web research) to answer the questions in this survey. The more thorough you are in this work, the more successful your business will be.

There are three parts to the Market Analysis section:

1. Industry Analysis
2. Target Consumer
3. Competitors

We will walk you through the questions you need to answer in each section.

Industry Analysis

General web research as well as interviews with industry experts will be the most helpful to you in uncovering the answers to these questions:

- What are the organizations (private, nonprofit, government) that are currently actively providing solutions in the market you are interested in entering?
- Roughly, how many organizations (solution providers) are out there?
- How many consumers are they working with?
- How effective are these solution providers? What do their consumers think of the solution they are purchasing?
- What consumer needs are not being addressed by current providers?
- Is the consumer need/demand for solutions in this market growing or contracting? How do you know?

Target Consumer

For this section you are going to want to actually interview (either by an online survey or through one-on-one interviews) people who fall into your target consumer group(s). Here are the things you want to find out about them:

- What are their demographic (gender, race, age range, geography) and psychographic (beliefs, interests, activities) characteristics?
- What is their willingness to pay, i.e. their desire to purchase the products/services you would offer?
- What is their ability to pay, i.e. the size of their budget or level of disposable income for the products/services you would offer? How do you know?
- Roughly how many potential consumers are out there for your products/services?
- Will that number expand or contract over time?
- Where can you find them?

Competitors

Competitors are a little more tricky to understand. You can gather a lot of information through web research, and you can call them and ask them the questions below, although they may be hesitant to divulge some information. You will simply have to do the best you can.

- Who are all of the existing competitors to the products/services you will introduce to the market?
- What do they charge for their products/services?
- How do they package their products/services?
- Where (geographically) do they sell?
- What are the characteristics of their target consumer(s)?
- How do they market their products/services?
- How happy are their consumers?
- What do those consumers who have a need but are not purchasing from your consumers doing?

Section 2: Business Model

The Business Model section of your business plan is where you explain exactly what your business is, how it works, why you are uniquely positioned to run this business, etc. The sections of this part of the business plan are:

- Business concept
- Core competencies
- Structure of business
- Location/facilities required
- Legal issues
- Goals of the business

We will walk you through each of these sections. Each section needs to be only a few sentences long.

Business concept

- What exactly is the business concept?
- How does it work?
- What solution is it providing to the consumer?

Core competencies

- What does your business do better than any other competitor? Why?
- What unique and non-replicable characteristics, skills, and experiences do you bring to the business?

Structure of the business

- Is this an earned income venture or a free-standing business?
- If a free-standing business, is it a sole proprietorship, an LLC, or some other structure?
- Where will the profits of the business go?
- Are there any incorporation issues? How will these be handled?

Location/facilities required

- Where will this business be housed?
- What facilities or equipment will be required?
- Will there be satellite offices? If so, where?

Legal issues

- Are there any legal issues to be dealt with?
- Does there need to be protections for intellectual property, copyrights, and trademarks?
- Are there any potential liability concerns?

Goals of the Business

It is not enough to start an earned income venture or social enterprise simply because you want to raise money. You need to be very specific about why you are launching this business and what you are hoping to accomplish. These goals need to be specific and measurable so that you can determine down the road whether you have accomplished them. You should aim for 3-6 goals for your business.

- What are the specific, measurable things you want to accomplish in terms of financial gain?
- What impact or social-change related goals does this business have?
- What is the timeframe of these goals?
- How will you measure whether you've attained these goals?

Section 3: Marketing Plan

The Marketing Plan section details exactly how you will reach your consumers and convince them to buy your products or services. There are five parts to this section:

1. Positioning
2. Products
3. Price
4. Promotion
5. Distribution

Positioning

You need to create a compelling argument for how your product or service meets a need in a valuable way for your target consumers. You will want to create a “positioning statement” for your product or service. You may not ever use the full statement in public, but it forms the basis for any marketing efforts you will undertake.

Based on the market analysis you did for your business plan, your positioning statement will read like this:

“For [your target consumer(s)], [your product/service] provides [benefits to your target consumer(s)] because of [your product/service unique characteristics] .

Products

List each of the products/services that you will offer and describe the characteristics of each.

Pricing

1. For each product/service list a price.
2. If you will also offer packages or bundles of products/services describe those and how they will be priced.
3. If you will have other pricing structures (sliding scale fees, discounts, etc) describe those and how they will work

Promotion

- How will you promote the sale of these products/services to your target consumers?
- What are the key messages you will use?
- What sort of marketing materials will you use?
- What events/conferences will you attend to meet your target consumer?
- Will you use social media (Twitter, Facebook, LinkedIn, etc.)? If so, how?
- Will you have a web presence? If so, what will it be?

Distribution

- How will you reach your target consumers?
- Will you sell directly to them, or go through a distribution partner?
- What tactics, partnerships, alliances, etc will you employ?

Section 4: Management and Staffing

It is not enough to assume that your current staff will simply add this new business to their responsibilities. You need to determine the overall staffing structure of the business, including use of volunteers, interns and other free (or cheap) resources.

1. Create an organizational chart for the business that includes:
 - a) All people who will work on the business
 - b) 2-3 bulleted responsibilities that each person will have for the business
 - c) The full time equivalent (FTE) that they will devote to the business
 - d) How the staff will grow as the business grows over time
2. Then, list each of these people and describe in 2-3 sentences the unique experiences and skills they will bring to their role in the business.

Section 5: Finances

You will want to create at least 3-years of projections of some key financial data for the business. These financial projections will be based on the previous sections of this business plan (how many consumers you will reach, what you will charge them, what your staff, facilities will cost, etc).

Financial Statements

Create the following financial projections for at least the first 3 years of the business:

1. Income and expense statements
 - a. All of the various revenue that will flow into the business
 - b. All of the costs to run the business
2. Cash flow statements
 - a. If you use accrual accounting, you will also need to demonstrate, on at least a quarterly basis, how actual cash will flow into and out of the business
3. Balance sheets
 - a. The assets and liabilities of the business and how they will play out over time

Startup Costs

In addition, you want to create a separate Excel sheet that details all of the startup costs of the business. These include: costs for infrastructure items, equipment, technology, staff required before launch (or during the first year) of the business. This document is important because you can use it to raise startup funding from funders prior to launch of the business.

Section 6: Risks and Mitigations

You want to create a table, like the one below, which lists all of the potential risks that the business could encounter and how you will prepare for each of these risks to the best of your ability. Include as many risks as you can possibly think of. Then determine how you will mitigate each risk.

Risk	Mitigation
We can't find enough customers	Interview the customers we have to determine what hurdles they encountered before finding us. Increase marketing efforts in XX specific areas....
We get more customers than we can handle	Hire more staff in XXX specific areas. The triggers for when we would hire more staff are XX and XX.

Section 7: Year 1 Operating Plan

In order for your business to be a success, you want to create an annual operating plan that details exactly all of the activities that need to happen for the business to run effectively, who will do what, the timelines, etc. This annual operating plan should be created prior to the start of each year.

Your operating plan can look like this and should be updated by staff on at least a monthly basis:

Activity	Deliverable	Person Responsible	Others Involved	Due Date	Date Complete
Create the business website	Completed web site	Joe	Tim, Betty	6/8/12	6/15/12

Section 8: Next Steps

You can create a successful earned income business or social enterprise, but you need a well thought-out business plan to get there. I've given you a start at creating your business plan.

After you have completed this guide, here are some things you can do next:

- If you got stuck and would like some help to get back on track, email info@socialvelocity.net.
- If you need some advice and guidance about creating your business plan, check out the [Coaching](#) I provide nonprofits.
- If you are interested in making your new Business Plan part of a larger effort to create a stronger, more effective financing strategy, check out the [Financing Plan](#) consulting service or go to the [Clients](#) page of our website to read about nonprofits that transformed their financing function through Social Velocity's guidance.
- Check out the other Social Velocity Step-by-Step Guides [here](#).

I hope you found this Guide helpful. As always, I welcome your feedback or questions about any Social Velocity tool. Please email info@socialvelocity.net with questions, comments or feedback.

Good luck!

This guide was designed to help you transform your nonprofit. If you want a more customized approach, or need help engaging more board, staff and donors in the change process, call (512) 694-7235 or email info@socialvelocity.net to schedule a free consultation with Nell Edgington.

Social Velocity is a management consulting firm that helps nonprofits become more strategic, sustainable, and above all, more effective at creating social change.

