Why make a Business Plan for your Small Business?

Why do you need a business plan for your small business? A common mistake made by Entrepreneurs is not being prepared. They like to dive into the pool without testing out the water but what if the pool is freezing cold? Then you would regret diving in wouldn’t you? Having a business plan will not only prepare you in planning your small business, but will also serve the following purposes:

- Investors, loan officers and venture capitalists will need to look at your business plan to determine if they want to invest in your small business or offer you a small business loan.
- It will force you to set down some clear goals and marketing strategies for your small business.
- Writing down the details can help you visualize all the aspects of your small business.
- It can be a tool in the future to measure if your small business performs higher or lower than expected.

Keep in mind that not all business plans are the same. Below is a basic business plan outline. Don’t rush through your business plan. It is not something that can be written on your lunch break. It requires research and thinking. If you feel that you need assistance forming a business plan for your small business read Help with Business Plan.

A Business Plan should include the following:

Cover Page- Indicate the name of your company, date, owner’s name, address and phone number.

Table of contents- this will inform the reader where items are located in your business plan.

Statement of Purpose- 1-2 paragraphs about the small business you plan to start and how much money you need to start it.

Executive Summary- A short summary of the business plan.

Main Body

- Historical account of your business or business idea- What inspired your business idea. Did you notice a need in your community that was not being met?
• **Goals and Objectives** – Outline your short term (1 year) and long term (5 years) goals. Where do you see your business in the future? Don’t make unrealistic assumptions; for example don’t say you’ll be making millions in less than 3 months.

• **Your products or services**- Describe the products or services your business plans to sell. What is unique about your product or service?

• **Location** - Location is a big factor in determining the success of a small business, so make sure to include your desired location. Include demographics and statistics. For example if you were starting a daycare you could look up statistics of how many kids between the ages of 1-11 are living in your area.

• **Management/ ownership**- The people in management positions are a critical factor to the success of your business. State your qualifications and experience in this field as well as those of your staff. Demonstrate that you have qualified, well knewledged and experienced people holding leadership positions in your business.

• **Marketing Plan**- Identify your prospective customers and how you plan to market your product or service. Is there a need for your product/ service that is not being met? Include trends in the market; also forcast the growth of trends in the future. Use graphs to organize this information.

• **Competitive Analysis** - Is there a lot of competition out there? What do you have that they don’t? Can you offer better quality or better prices? Why should potential customers choose you over the competition?

• **Current and projected financial statements**-  
  o **Financial Statements**- Plan out how much you expect to make in the future.  
  o **Identify risks**- Be honest. Lenders will appreciate your honesty and see your information as credible. Lenders know that every business faces risks. List all the potential problems your small business might face and how you plan to deal with those problems.  
  o **Investments needed**- Indicate to the lender how much money you need to start your business. Describe your plan on how you are going to use that money. Also state when you plan to pay back the lender and how much interest they should expect to earn from their investment.

• **Appendix**- In the appendix you can include any supporting information such as resumes (to show experience in the desired field), letters of recommendation and legal documents.

TIP: The content in your business plan is important but also is the presentation of it. Make sure to present your business plan in a neat, appealing, simple fashion. It should be typed, not handwritten (even if you have very nice handwriting).

**Critical Steps to Writing a Business Plan**

From [Darrell Zahorsky](https://www.about.com/od/businessplanning), former About.com Guide

See More About:
Writing a business plan can be an overwhelming task. These feelings often translate into immobilization or confusion as to how to start the business plan. Starting a business plan begins with the first step:

1. **Audience & Funding Type:** When writing a business plan, you must determine who will be reading it. This decision will shape the business plan. Do you plan to go for debt or equity financing? Each form of funding for your business has pros and cons. For instance, the venture capital market can be very time consuming and competitive. Do you have the time to write the business plan for investor funding and to network within the community?

Writing a business plan for investors is 15-30 pages with in-depth analysis and full details of facts and figures to support assumptions of the market. Writing a business plan for the bank is 10-15 pages and focused with the bank's concern with risk. A venture plan presents the upside and potential return on investments, whereas a bank plan reduces the risks and sells the ability to repay the loan.

2. **Business Plan Outline:** A business plan outline is the second most important starting point once you've pre-determined your audience. The business plan outline should be prepared before the actual research and writing of the business plan.

3. **Research & Information Collection:** Once you have made the decision of the type of funding your business requires, it is time for the research. Business plan research covers several key areas:
- Insight from your experience working and observing the industry you will enter. This data will have to be backed but by the next two sources.
- Published information from library, Internet, and paid database services will provide information on the market growth, overall industry perspective, and customer profiles.
- Field research covers interviews with customers, suppliers, competitors, and industry experts. This provides the real insight behind all the published facts.

4. **Collection Files:** The easiest way to go about collecting all your experiences, interviews, and research is to create files for each section of the business plan. These files can be: paper-based, computer files or set-up using business planning software. As you start the research and collection phase of planning, fill your files with notes and printouts.

5. **General Industry Overview:** Begin the research process with an overview of the industry; uncovering industry and association reports. By having a general understanding of the industry, you will avoid embarrassment in contacting experts with basic questions. Begin the field research once you have a good grasp of the industry fundamentals and need answers to the hard-to-find information.

6. **Analysis:** Once the bulk of the data has been collected, the process of analysis begins. Look at building a competitive profile, contingency plan, risk assessment, etc.

7. **Financials:** Start the **financials** when you have found some average industry ratios for your business. Work closely with your accountant to develop realistic projections. Being overly optimistic will raise eyebrows with your investors or banker.

8. **Executive Summary:** Save the first section for last. When you have thoroughly, completed all sections of the business plan, write the summary. Highlight the key points and include the return on investment or loan payback requirements.

9. **Review & Editing:** Remember, you only have one shot at making a good impression. A well-written business plan that opens doors and wins the money is a plan that has been revised and reviewed. Do not forget this important step. Ask others for feedback. Make certain to edit, proofread, proofread, and proofread.

Business planning is not easy but by following these critical steps to writing a business plan, you will ensure your business has a chance at funding and success in the future.

**Social Enterprise**

Assembled by Andy Horsnell

Social enterprise is, fundamentally, about using a market-driven business model to
address key social and environmental issues. It is an emerging field with diverse and shifting interpretations. In this page, we'll try to sort through all this, introduce you to the major players, and give you a launching pad for future inquiry. Big disclaimer: Your guide, Andy Horsnell, has opinions on this topic (informed by close to 20 years experience) and these opinions will be reflected in the content of this page.

If you want to challenge or suggestion new opinions, please feel free to: email me.

**Sections of This Topic Include:**

- What Social Enterprise Is (and Is Not)
- Leading Examples of Social Enterprise
- Why Social Enterprise Matters
- Related (but Different) Fields and Topics
- Resources for Doing Social Enterprise
- Get Connected: Social Enterprise Networking and Learning Opportunities

Also Notice the Library's

Social Enterprise Blog

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**What Social Enterprise Is (and Is Not)**

**What Social Enterprise Is**

Social enterprise is, fundamentally, about using a market-driven business model to address critical social and environmental issues. It is about making the world a better place. But don't just take my word for it:

- For a great PowerPoint presentation on this topic, click on "What is Social Enterprise?" by the Social Enterprise Alliance
- "Defining Social Enterprise" by the BC Centre for Social Enterprise
- “Social Enterprise Definition” by the Social Enterprise Lancashire Network
- See the opening line of the "Social Enterprise" page of Wikipedia

Many people believe that a fundamental element of social enterprise - indeed, the "social" in social enterprise - is collective ownership.

- See the third bullet of "Social Enterprise Definition" by the Social Enterprise Lancashire Network
- Some go so far as to stipulate a nonprofit legal structure for a social enterprise:
• For example, see "What is Social Enterprise?" by the Enterprising Nonprofits Program

Until we come up with a broader term than "social enterprise", I'll advocate for a broad interpretation that does not limit it to collectively-owned businesses. If the overarching purpose of the business is to address a social and/or environmental issue, it's a social enterprise - regardless of its ownership structure. This is a pragmatic position; the world's problems are far too great to be creating arbitrary silos that limit participation and sharing.

**What Social Enterprise Is Not**

Social enterprise is not about balancing the "double bottom lines" of profit and social impact, *as though they are equally important*. The real bottom line for a social enterprise, the goal by which its success should ultimately be evaluated, is its social (or environmental) impact, and being profitable (or at least financially sustainable) is the entirely necessary means to that end. Of course, there can be no social mission without money, but the first goal is mission.

Social enterprise is not the exclusive domain of nonprofits - See "What Social Enterprise Is" above. While many nonprofits have been - and continue to be - leaders in the social enterprise movement, social enterprise need not be limited to nonprofits. Moreover, simply being owned by a nonprofit is not sufficient to make a business a social enterprise. The enterprise must have as its overarching purpose the amelioration of social and/or environmental issues.

Social enterprise is not just another fundraising strategy for nonprofits - While it's possible for a social enterprise that is owned by a nonprofit to generate funds to support the operation of that nonprofit, the generation of those funds is secondary to the direct impact it has on social or environmental issues. If generating funds is your biggest priority, check out the fundraising topic in this Library.

Social enterprise is not about "saving" the nonprofit sector - While social enterprise has great potential for enhancing the vitality and sustainability of the nonprofit sector, that potential impact is secondary to its real purpose - helping (directly, through the operation of the business) to make the world a better place.

**Some Additional Perspectives on Social Enterprise**

[Toward a Better Understanding of Social Entrepreneurship: Some Important Distinctions](#)
[Social Enterprise - Wikipedia](#)
[The Meaning of Social Entrepreneurship](#)
[Social Enterprise Topology](#)
[Structure is Irrelevant](#)
Leading Examples of Social Enterprise

NOTE: If you have additional examples, please email me.

A Few Great Individual Examples

Social enterprise comes in all shapes and sizes and can be found all over the world. Here are a few examples:

- Grameen Bank
- Minnesota Diversified Industries
- Ever Green Environmental

Social Enterprise Directories

- Canadian Social Enterprise Marketplace compiled by the Enterprising Nonprofits Program
- ClearlySo's Social Businesses and Enterprises Directory
- Directory of Social Enterprises compiled by Community Wealth Ventures and the Social Enterprise Alliance

Why Social Enterprise Matters

Social enterprise matters because it is focused on making positive change at a time when we desperately need it. Social enterprise is one important tool, among many, that is actively and directly making our world a better place.

Social enterprise is more responsive. Social enterprise doesn't rely on the shifting priorities of government and major foundations; it gets on with making the change that is needed within a community and (sometimes) grows to affect whole cities, countries, and regions.

Social enterprise is scalable. Like all businesses, social enterprise has, with investment and sales revenue, the ability to grow to meet needs and priorities of the communities it serves, as opposed to traditional nonprofit programs, which are often limited to the funds available from government and philanthropic funders.

Social enterprise actively engages stakeholders. Social enterprise gives the people it helps a direct voice in the operation of the business - as owners, employees and paying customers.

Additional Perspectives on Why Social Enterprise Matters
Background on Social Entrepreneurship
Social Entrepreneurship: The Double Bottom Line
The Nonprofit's Motive
Toward a Better Understanding of Social Entrepreneurship: Some Important Distinctions
The Citizen Sector: Becoming as Entrepreneurial and Competitive as Business
A Level Long Enough to Change the World
Flashes of Genius

Benefits of Social Enterprise: Earned-Income Generation

A Definition of Earned Income (scroll down the page)
Nonprofits Can Generate an Earned Income
The Case for Supporting the Earned-Income Activities of Nonprofits
A Diversified Approach to Self-Financing: A Case Study of Hogar de Cristo
Social Entrepreneurship and Earned-Income Strategies: The Next Wave

Related (but Different) Fields and Topics

Social Innovation

In "Rediscovering Social Innovation" (Fall 2008 issue of the Stanford Social Innovation Review), social innovation is defined as "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals." So defined, social innovation is a bigger concept than social enterprise, which is not limited to enterprise-based approaches to addressing critical issues. Put another way, social enterprise can be a vehicle for social innovation.

Venture Philanthropy

Social Enterprise Meets Venture Capital
Does Venture Philanthropy Work?
Venture Philanthropy -- the Changing Landscape
High-Engagement Philanthropy: A Bridge to a More Effective Social Sector

Social Entrepreneurship

Ashoka defines social entrepreneurship as "individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps." So defined, social entrepreneurship is concerned with the entrepreneurs who undertake large-scale social innovation - which
may or may not involve a social enterprise. See "What is a Social Entrepreneur" for a list of people who meet Ashoka's definition.

The Grameen Bank is a great example of a social enterprise which, led by social entrepreneur Muhammad Yunus, popularized the social innovation of microcredit.

Corporate Social Responsibility

CSR is, for many, about maximizing shareholder value in a way that minimizes negative social or environmental impacts. To the extent that this is the case, profit is the first goal and minimizing harm (not making things better) is the secondary goal. CSR is way better than business as usual, but it's not social enterprise. See the Business Ethics topic for more information.

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**Resources for Doing Social Enterprise**

Social enterprises face unique challenges, on top of all the other challenges that any business must contend with. In this section, we focus on presenting resources that address the unique challenges. In later versions of this page, we may add the general resources - keep an eye out for that.

NOTE: If you have additional ideas about resources, please email me.

**Becoming a Social Entrepreneur**

[Moving Toward the Market: Nonprofit Enterprise in a Changing World](#)

[What is a Social Entrepreneur?](#)

[25 Entrepreneurial Death Trap](#)

**Starting an Enterprise**

- [The Canadian Social Enterprise Guide](#)
- [Toolkit for Developing a Social Purpose Business Plan](#)
- [Social Enterprise Business Plan Template and Presentation](#)

**Financing**

- Socialfinance.ca
- Social Capital Markets
- Financing
- Social Venture Partners International

**Human Resources**
• Leadership and Human Resource Management

Evaluation

• Demonstrating Value Program
• Measuring Results

Guiding Principles

• Commitment to Integrity

Get Connected: Social Enterprise Organizations, Networks and Publications

NOTE: If you have additional organizations, networks or publications, please email me.

Organizations and Networks

Ashoka - Innovators for the Public
Center for the Advancement of Social Entrepreneurship
Enterprising Nonprofits Program
Initiative on Social Enterprise at Harvard Business School
Nonprofit Enterprise and Self-sustainability Team
npEnterprise Forum
Roberts Enterprise Development Fund
School for Social Entrepreneurs
Skoll Centre for Social Entrepreneurship
Social Capital Partners
Social Enterprise Alliance
Social Enterprise Coalition (UK)
Social Enterprise Council of Canada
Social Ventures Australia
Social Venture Network
Social Venture Partners International

Publications

Beyond Profit Magazine
SEE Change Magazine
Social Enterprise Magazine
Stanford Social Innovation Review
Continue to Learn in the Library's Social Enterprise Blog

The blog is hosted by an expert in social enterprise who writes two posts per week, including from guest writers. Learn from those posts -- even consider writing an article yourself!

Social Enterprise Blog