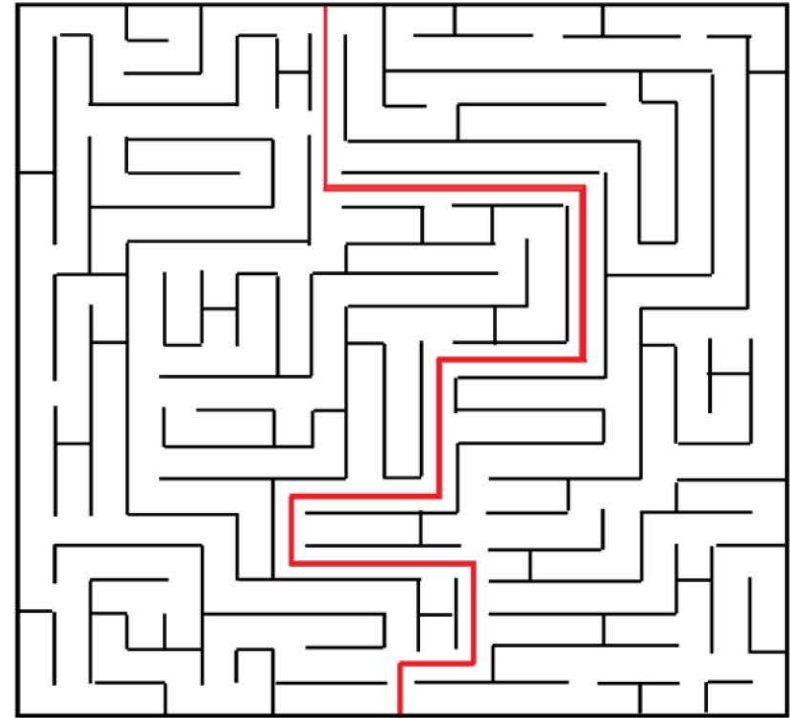


The business plan Is the social enterprise different from the commercial one?

Professor Monica Dudian, PhD

Business plan...Why?

- To structure your own thinking
- To better understand your rewards and risks
- To plan and monitor your future activity => operational plan in the future
- To obtain resources from others



The business plan is a document that convinces you and stakeholders about your ability to create value. If you are a common entrepreneur, we talk about profit. If you are a social entrepreneur, you must create social value and revenues.

BUSINESS PLAN_ELEMENTS



EXECUTIVE
SUMMARY



COMPANY
DESCRIPTION



MARKETING PLAN



MARKET, INDUSTRY AND
COMPETITION ANALYSIS



OPERATIONS
PLAN



FINANCIAL PLAN



RISK
MANAGEMENT



ORGANIZATIONAL
STRUCTURE AND
GOVERNANCE



APPENDICES

The executive summary

- It is essential to convince investors; they don't have time to read the entire business plan!
- It is a signal for the quality of the entrepreneur.



It includes:

- The company/ business idea: short presentation and explicit social aim
- Management team: are you reliable?
- Target market and products
- Marketing plan
- Financial projections
- Social impact; why consider yourself a social enterprise?

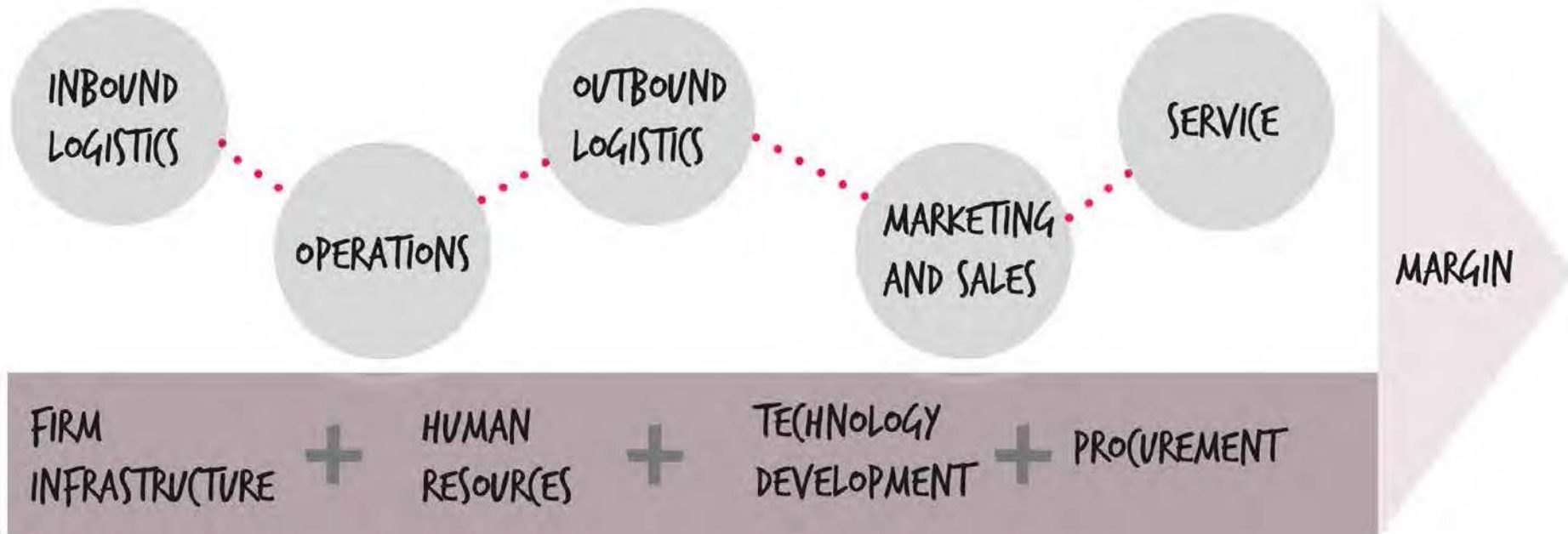
Market and industry analysis: the economic classic analysis



- Which is the relevant market?
- Industry trends
- The industry value chain; which is your position within it?
- Competitive analysis or the competitive landscape: it depends on what you produce (commercial or non-commercial sector)

The classic industry value chain: an example

Starbucks value chain



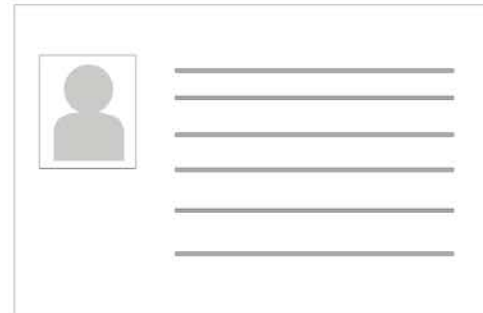
Market and industry analysis: why the social enterprise is different?

- Beside the classic market analysis you must perform:
- A social market analysis: you must describe the social need, its history, how it is addressed (with quantitative and qualitative data).
- A territorial and political market study: the attitude of local communities towards social innovation, the public policies regarding your social business.



Company description

- Name, address, date of incorporation
- Legal form and reason for choosing it: limited liability company, NGO, cooperative, social enterprise (Romanian law), community interest company (UK law), la société coopérative d'intérêt collectif (France) etc
- Business location description

A rectangular box with a thin border, containing a small square icon of a person's head and shoulders on the left, and five horizontal lines on the right, representing a form for a profile picture and text input.

Company description

- Why are you different?
- Company's objectives (short term/ long term): make them measurable!
- Which are your strategies?
- What products and services are you going to offer? How? For whom?



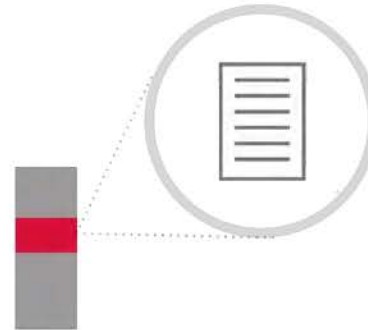
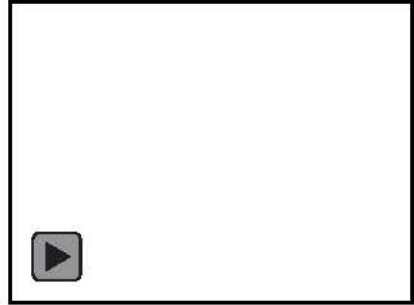
Operations plan

- How do you plan to make money and social value? How is social value integrated into your operations?
- Provide a general, short description of how your enterprise works: key resources (human resources included), key processes, key products, key customer.
- “Describe all the parts of the company necessary to make money” (Blank, Feiber, and Burke, undated)
- Describe the value chain of your business
- Provide a diagram of the workflow, main actors and main inputs and outputs.



Marketing plan

- Product (the characteristics of the product in the market context)
- Prices (the pricing policy)
- Promotion (ways of advertising, promoting, and selling)
- Place (the distribution channels)
- Packaging (the way your global business appears from the outside)
- Positioning (how you are seen and thought about by your customers)
- People (the human resources needed to implement the marketing plan)



BOARD OF DIRECTORS
AND COMMITTEES



POLICIES AND
PROCEDURES

LEGAL AND
REGULATORY
FRAMEWORK

CORPORATE
GOVERNANCE



TRANSPARENCY
AND ACCOUNTABILITY

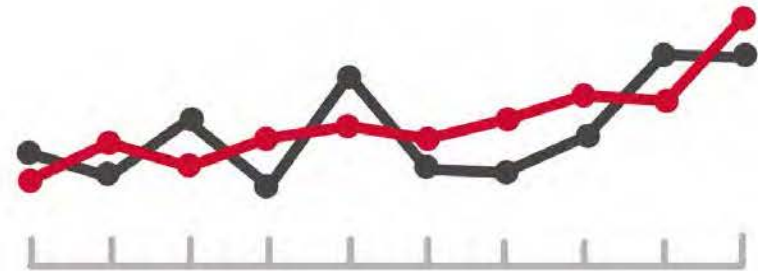
ORGANISATIONAL
HIERARCHY



MONITORING AND
INTERNAL CONTROL

Financial plan

- Time horizon: 3 – 5 years
- Realist assumptions, scenarios if necessary (best case, base case and worst case)
- Investment requirements
- The revenue structure
- The cost structure
- Cash – flow: the most important element!
- Profit and Loss account (the income statement)
- Balance Sheet



How do we compute the cash flow?

| | Indicator (Euro) | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 |
|----|--|--------|--------|--------|--------|--------|
| 1 | Operating revenues (sales revenues) | – | 20000 | 20000 | 20000 | 20000 |
| 2 | Operating expenses (operating costs) | – | 9000 | 9000 | 9000 | 9000 |
| 3 | Depreciation | – | 6000 | 6000 | 6000 | 6000 |
| 4 | Operating profit/income before tax (EBIT, <u>earnings</u> before <u>interest</u> and <u>taxes</u>): 1-(2+3) | – | 5000 | 5000 | 5000 | 5000 |
| 5 | Taxes at 16% (4x0,16) | – | 800 | 800 | 800 | 800 |
| 6 | Net income, after taxes (4–5) | – | 4200 | 4200 | 4200 | 4200 |
| 7 | Cash Flow from operation: 1–2–5 | – | 10200 | 10200 | 10200 | 10200 |
| 8 | Initial investment | –30000 | – | – | – | – |
| 9 | Changes in net working Capital | 0 | 0 | 0 | 0 | 0 |
| 10 | Total cash flow from Investment (8+9) | –30000 | 0 | 0 | 0 | 0 |
| 11 | Total cash flow [7+10] | –30000 | 10200 | 10200 | 10200 | 10200 |

The present value of the cash flow

The present value of the cash flow (NPV) is the amount of that cash flow discounted back from the date of payment to the present. The right discount rate is the opportunity cost of capital (the yield we could obtain from a similar investment, ie an investment with the same level of risk).

$$NPV = -30000 + \frac{10200}{1+0,02} + \frac{10200}{(1+0,02)^2} + \frac{10200}{(1+0,02)^3} + \frac{10200}{(1+0,02)^4}$$

$$NPV = 8838,82$$

Is it worth doing the business ?

The investment is worth doing only if the net present value is 0 or positive.

| Income Statement | | | |
|--------------------------------|-------------|-------------|----------|
| Finding <2015-2016> | | | |
| | <2016> EURO | <2015> EURO | Variance |
| Revenue | 20000,00 | 8000,00 | 12000,00 |
| Revenue> | 0,00 | 40,00 | -40,00 |
| Revenue> | 0,00 | 160,00 | -160,00 |
| Revenue> | 0,00 | 0,00 | 0,00 |
| Revenue> | 0,00 | 0,00 | 0,00 |
| Revenue> | 0,00 | 0,00 | 0,00 |
| Costs | 20000,00 | 8200,00 | 11800,00 |
| Goods Sold (material expenses) | 1000,00 | 600,00 | 400,00 |
| Profit | 19000,00 | 7600,00 | 11400,00 |
| Expenses | | | |
| Salaries | 8000,00 | 6000,00 | 2000,00 |
| Other Expenses | 500,00 | 400,00 | 100,00 |
| Expenses | 1400,00 | 1400,00 | 0,00 |
| Expense | 0,00 | 0,00 | 0,00 |
| Expenses | 200,00 | 0,00 | 200,00 |
| Other Expenses | 150,00 | 120,00 | 30,00 |
| Expenses | 650,00 | 500,00 | 150,00 |
| Expense> | 0,00 | 0,00 | 0,00 |
| Expense> | 0,00 | 0,00 | 0,00 |
| Expense> | 0,00 | 0,00 | 0,00 |
| Operating Expenses | 10900,00 | 8420,00 | 2480,00 |
| From Operations | 8100,00 | -820,00 | 8920,00 |
| Income (Expense) | -100,00 | -80,00 | -20,00 |
| Before Income Taxes | 8000,00 | -900,00 | 8900,00 |

| | | 2015 | 2014 |
|---|--|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | | € 30.000,00 | € 20.000,00 |
| Accounts Receivable | | € 20.000,00 | € 10.000,00 |
| Inventory | | € 15.000,00 | € 10.000,00 |
| Prepaid Expenses | | € 1.000,00 | € 800,00 |
| <Other Current Asset> | | € 0,00 | € 0,00 |
| Total Current Assets | | € 66.000,00 | € 40.800,00 |
| Fixed Assets | | | |
| Land | | € 0,00 | € 0,00 |
| Equipment | | € 10.000,00 | € 8.000,00 |
| Accumulated Depreciation - Equipment | | € 750,00 | € 600,00 |
| <Other Fixed Asset> | | € 0,00 | € 0,00 |
| Total Fixed Assets | | € 10.750,00 | € 8.600,00 |
| Total Assets | | € 76.750,00 | € 49.400,00 |
| Liabilities & Equity | | | |
| Current Liabilities | | | |
| Accounts Payable | | € 6.000,00 | € 4.000,00 |
| Accrued Liabilities | | € 30.000,00 | € 20.000,00 |
| Deferred Income | | € 25.000,00 | € 15.000,00 |
| <Other Current Liability> | | € 0,00 | € 0,00 |
| Total Current Liabilities | | € 61.000,00 | € 39.000,00 |
| Long Term Liabilities | | | |
| Notes Payable (including loans) | | € 8.000,00 | € 9.400,00 |
| <Other Long Term Liability> | | € 0,00 | € 0,00 |
| Total Long Term Liabilities | | € 8.000,00 | € 9.400,00 |
| Total Liabilities | | € 69.000,00 | € 48.400,00 |
| Equity | | | |
| Paid-In Capital ("contributed" capital) | | € 3.000,00 | € 3.000,00 |
| <Other Equity> | | € 0,00 | € 0,00 |
| Retained Earnings | | € 2.000,00 | € 0,00 |
| Current Year Earnings | | € 2.750,00 | -€ 2.000,00 |
| Total Equity | | € 7.750,00 | € 1.000,00 |
| Total Liabilities & Equity | | € 76.750,00 | € 49.400,00 |

For more details, please see <http://www.practicalspreadsheets.com/Monthly-Income-Statement-Template.html>
And <http://www.practicalspreadsheets.com/Balance-Sheet-Template.html>

Risk management

- The risks can be grouped into two categories:
 - external risks from the business environment, and
 - internal risks, endogenous to the enterprise.
- You must identify the key risks and have strategies for risk mitigation
- For a social enterprise, key risks could be:
 - The enterprise doesn't produce enough cash flow
 - Time discrepancy between the revenues and the expenses
 - The dependence on a single source of income
 - Political changes regarding social businesses
 - Overestimation of the ability to convince the local community and/ or the investors.



Appendices

This part includes information considered essential for the reader, as:

- Gantt diagram or financial / operations timeline
- The CVs of the key personnel
- Official authorizations and key contracts
- Patents etc.



Thank you for your attention!

References

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- <http://www.practicalspreadsheets.com/Monthly-Income-Statement-Template.html>
- <http://www.practicalspreadsheets.com/Balance-Sheet-Template.html>