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PLANNING AND PRESENTING THE BUSINESS PROPOSAL

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- Working With Groups - The Business Proposal

PRESENTING YOUR CASE TO A FUNDER

- 1 : You are trying to 'sell' your idea to a reluctant customer! Put yourself in the funders place: would **you** give/lend the business money on the basis of the presentation?
- 2 : Optimism is not enough, you must be able to **prove** you have a good case. You need a clear, **substantiated** business plan.
- 3 : Be as clear and concise as possible. Don't cover all the points but **be prepared to answer questions!**
- 4 : Start talking to the bank manager or potential funder **early**. Leave yourself plenty of time before you need a decision.
- 5 : Remember, funders of all kinds want a **return** on their investment so they are as often looking for a good reason to say 'yes' as to say 'no'.
- 6 : Make sure the funder has got **RADAR**:
 - Reason** for wanting the money
 - Amount** you need
 - Duration** of the loan or other finance/funding
 - Assets** you can offer as security (if any)
 - Repayment** terms and schedule of payments (if asking for a loan)
- 7 : You need to be very clear about the **reasons** you need funding, clearly stating what the money will be used for. Does the **reason** you need the money clearly match the **amount** and **duration** of the loan, and the type of loan (loan or overdraft, secured or unsecured)?
- 8 : If you are offering **assets** as security, do you know which assets and what they're worth? Security is equipment, other property, stock, work in progress, intellectual rights, cash, leases on premises etc. Can you offer fixed or floating charges over the assets or personal guarantees?

- 9 : Make sure you understand your business' **finances** and the effect that repaying a loan or changes to business conditions will have on the finances.
- 10 : **Try to be enthusiastic!** Tell her/him your plans for the business and its future.
- 11 : The funder needs to be convinced you have a **viable business idea** and if you have the **drive, determination** and **ability** to make it work.
- 12 : Don't present inaccurate figures showing you only need a small amount of help for a short time; a bank manager will not be fooled! Present **realistic** figures based on your best estimates.
- 13 : Do prepare **pessimistic** financial projections so you know the worst that could happen and the maximum support the funder may have to give if things don't work out initially.

The Presentation

More Hints And Tips

- 1 : First impressions are vitally important. The first thing funders see is your business plan so make sure it is well-presented but not over-detailed.
- 2 : Practice the presentation. One idea is to practice your presentation on low-priority funders and analysing how you did before going on to more likely prospects.
- 3 : Look conventional and like you mean it. Don't over-dress but be serious and determined.
- 4 : Make sure you have the key facts at your fingertips. You must know your business and business plan inside out. If you don't know, just say you don't and promise to get the information. Don't become flustered over things you don't know.
- 5 : Be clear in your own mind about the keys to your success and what is so interesting about your project but don't get bogged down in detail and don't 'over-egg' your case.
- 6 : Listen carefully to questions and make sure you answer the question asked. Don't go off on a long circuit round the issue without dealing with it.
- 7 : From preliminary meetings or phone calls try to find out who will make the funding/lending decision and if possible, deal with them.

- 8 : If you are asked for further information, provide it quickly but make sure it is well-presented and detailed.
- 9 : Do not be too defensive. Assume information will be analysed critically. It can be useful to practice dealing with criticism or probing questions so long as it doesn't affect the morale of the group.
- 10 : Be certain that the money you ask for is what you will need. Asking for more later is a lot harder.
- 11 : Treat negotiating for money with the same thought and planning you would if buying a house or arranging a wedding. Getting money is like a cup final. You may only get one shot at it.
- 12 : Planning a social enterprise is a long process and once you've reached the money stage you'll want to get on; but don't put all your eggs in one funding 'basket'. You may need to raise money from lots of different sources. Think ahead, do research and remain determined and optimistic even if rejected the first time.
- 13 : Do think about money you, your group or local community could invest. This doesn't have to be a huge amount and could be pledged to the project (i.e. drawn down only if other funding is provided) and repayable from profit. Even a small gesture can raise the confidence of other funders.

CHECKLIST FOR PRESENTING YOUR CASE

Can You Talk Confidently About All Of These Issues?

About You

- Details about the people involved (roles, business skills, other management experience)
- The group's finances (cash, assets, liabilities etc)
- Abilities, factors, experience involved in starting a social business

Your Business Proposal

- Main factors involved in wanting to start now
- How the business will be organised, your roles in it
- Do you have financial projections for at least two years ahead?
- Description of major assets or equipment to be bought

What You Want To Achieve

- What will you use the funding for?
- Can you describe the practical aspects of starting/expanding the business?
The premises you will use (suitability, cost, layout)
The equipment you will need?
The staff you will need?

- Contingency Plans - what risks have you analysed and what contingency plans are in place? Legal aspects: permissions, licences etc
- What training will be required to succeed?

Your Market

- Estimated demand - what evidence supports your estimates?
- Do you understand the market you're operating in?
- Who are your main competitors?
- What's your competitive advantage?
- Do you know what your product will cost?

Profitability

- Do you know how much profit you will make?
- Do you know which product or service brings most profit?
- Do you have orders currently, or expressions of interest?
- Have you correctly estimated costs? What assumptions have you made?
- Have you correctly estimated sales? What assumptions have you made?

Finance And Funding

- Will you need financial help beyond the start-up period?
- How long before the business 'breaks even'?
- Is the group looking elsewhere for money? How much?

OBJECTIVE-SETTING ROLE PLAY

The aim of this role play is to test the ability of participants to understand how objective-setting exercises can be used to assess the unity and shared aspirations of a group and to examine the kinds of things a funder might look for in assessing the groups chances of success.

In the role play, one participant can be assigned the role of Observer, another the role of Advisor, while other participants could play the role of 'the community' or a steering group for the proposed project.

1 : The task of the group is to come up with an agreed set of aims and objectives and basic priorities for operating a day nursery.

2 : The participants should be given a role each, written on an individual card.

3 : Playing these roles, they should then try and draw up an agreed list of aims and objectives and/or priority projects.

4 : Rather than an advisor or support worker taking on this role, the exercise tests the ability of the group to self-manage an objective-setting process.

The main purpose of the exercise is to test the ability of the group to set objectives, communicate effectively, negotiate agreements and develop a clear and effective consensus.

Round-Table Discussion

Following the exercise, convene a round-table discussion about how the group interacted, what feelings the exercise created, the positive and negative aspects of the discussion.

- How well did the group work?
- What conclusions can be drawn about the group's ability to work together?
- Were the interactions fair and equal or did some people dominate?
- What does each person feel about their role in the objective-setting?
- Were there major areas of disagreement? If so, were they resolved, and how?
- Could the 'Advisor' cope with all the group interactions?
- Did the 'Advisor' assist the group by giving proper directions and feeding back the group's work accurately?
- What does the 'Observer' think about what went on?

The Roles Of The Participants

The roles of the participants are as follows:

The Observer

The Observer is briefed to observe how the group sets its objectives and how well the Advisor assisted the process. Did the group understand what they were supposed to do? How well did they handle the process of Objective-Setting? Was there agreement at the end of the process? Did the Advisor make the exercise clear? Did the Advisor explore all or any of the issues? Did he/she pull things together at the end?

The Advisor

The Advisor must explain the Objective-Setting Exercise to the Group and give out the individual role play cards, help the process and write on the flipchart the Objectives agreed. Must be briefed to take note of areas of agreement and disagreement while the Group is discussing the Objectives and to make an assessment of the extent of unity and common vision in the Group.

Group Member 1

The Group has been formed to set up a commercial day nursery. You originated the group and had the idea for it. You like the idea of running a successful business and making profits, being in charge and having people working for you are the main attractions. You wouldn't mind working long hours so long as you were well-rewarded.

Group Member 2

The Group has been formed to set up a commercial day nursery. You like working with children and are recently qualified so it's a chance to use your skills. You want a decent wage but the chance to do work you enjoy is more important. You don't mind who runs things so long as they don't interfere.

Group Member 3

The Group has been formed to set up a commercial day nursery. You have worked in voluntary playgroups but now want to be paid for your time, but only part-time. You resent the fact that people with money or qualifications count for more so having an equal say is important. You don't like to be bossed around.

Group Member 4

The Group has been formed to set up a commercial day nursery. You're not interested in the Nursery so long as it makes money. You are putting up the money and want a share of the profits but without doing any work. A trouble-free life is important so good organisation and a 'tight ship' are what you value.

Group Member 5

The Group has been formed to set up a commercial day nursery. However, for you the maximum level of access to childcare for disadvantaged parents is most important. You want high quality care such as middle class parents expect but at an affordable price. You think the Council or all those regeneration programs should put up some cash.

THE BUSINESS PLAN GAME

This is a role-play exercise in which the participants will first select a series of things they would wish to emphasise when presenting a business plan or proposition and then actually role play the presentation with a friend or advisor (or one of the group) acting as The Banker.

If there is sufficient time (for instance as a training exercise), then both parts of the Business Plan Game can take place with the participants taking part in the role play (see below). If not, the group should meet on their own time to draw up the business plan or proposal then follow this with a short presentation to a friend or advisor, which can be analysed and discussed after.

The Business

Wood 'N' Tops is a community association with a number of activities based in it. One of these is a furniture workshop that has until now provided work experience and training to people in joinery and carpentry skills, repairing and refurbishing old furniture. This has been provided as a service for the cost of materials. Refurbished furniture has been given away on a 'first come, first served' basis. The local council is now insisting the furniture project become self-financing and it has been decided to draw up a business plan for a furniture showroom in some empty premises.

Involved in Wood 'N' Tops are a series of people with varying roles and skills. The group may simply 'play themselves' or take on these imaginary roles.

The roles are:

Deirdre is the Chair of Wood 'N' Tops. She works part-time as a playgroup leader and is taking the lead role in the Day Nursery Sub-Committee.

Arthur is a carpenter. He used to be employed in the Council Direct Works Department. He is very fussy and a bit set in his ways but a good teacher.

Amanda works in the kitchen. This is one of the most successful parts of Wood 'N' Tops because Amanda works hard to get people through the door. She's well-known and popular on the estate.

Susie does some secretarial work and also took a course in the furniture shop. She leaves her toddler in the playgroup while she helps out with the Old Folk's Lunch Club.

Frank was a Council caretaker and has a wide range of manual skills. He's worked in the furniture workshop but it's more of a hobby as he has to look after his elderly mother.

Mrs Silverman is a Tory Councillor from a nearby ward who's taken an interest in Wood 'N' Tops. She sits on the Planning Technical Sub-Committee.

Jack Haycox is the ward's Labour Councillor. He sits on the Inner Areas Overspill Community Sub-Committee and three other Council Committees. He has his own business, a fishmongers, and is on the Wood 'N' Tops Management Committee.

Brian is a Principal Community Development Officer. He manages a large but rapidly shrinking community development budget and reports to four separate committees. He made the suggestion about the showroom. He pays great attention to detail and is both articulate and persuasive.

Clarice is a volunteer in the office. She used to work at MFI and has enthusiastically supported the showroom idea at meetings.

The Exercise - Part 1

Having decided whether the group are playing themselves or taking roles from the Wood 'N' Tops list, the first stage is to assign tasks. If an advisor is helping, use this as a training/learning exercise. If not the group needs to meet separately to draw up the business plan.

The tasks are:

1 : Convene The Meeting

- Convene the meeting and choose a chairperson

2 : Products

- Choose one thing the workshop will produce and sell wholesale
- Choose four things the showroom will sell retail

Record the decisions made

3 : Customers And Marketing

- Choose 3 typical customers the project will try to sell to
- Identify one problem with each kind of customer
- Identify one source of further information

Record the decisions made

4 : Pricing And Selling

- Decide on a price for each of the five things to be sold
- Choose one person to be in charge of the showroom and one person to do the actual selling
- Choose one person to be in charge of advertising and promotion

Record the decisions made

5 : Managing Production

- Choose three people to work in the workshop
- Decide how many of each product will be made per week
- Decide how many of each product will be sold wholesale and retail
- Choose four people to make the products
- Choose one person to decide things in the workshop

Record the decisions made

6 : Setting Up

- Choose one person to cost repairs to the showroom
- Draw up a budget for repairing and equipping the showroom
- Choose three ways to make the showroom attractive to potential customers
- Choose one person to draw up plans
- List the legal and other requirements before they could begin to operate

Record the decisions made

Record all decisions. One person should present this 'Business Plan' to the rest of the group as a presentation skills exercise and to test how well the group has covered all the issues. If there is an advisor, the group could then present this revised plan to them, in the role of 'The Banker'. This also tests the ability of the group to communicate in a group setting.

The Exercise - Part 2

Part 2 is the presentation. If the group are playing themselves, the task of 'The Banker' is to judge the quality of the presentation and present feedback. If the group is role playing other people, an advisor can also use the Additional Information to check whether the group have undertaken any research, made good decisions and assigned the right people to the right jobs.

The main aim of the exercises is to test the ability of the group to:

- Ask the right questions
- Reach the right conclusions based on information they have
- Make effective decisions about roles, responsibilities and resource allocation
- Communicate effectively

If the group is drawing up a business plan or proposal separately, then give it 'The Business' notes below but not other information. If being done with an advisor (perhaps playing her/himself!), the information should be provided if the right questions are asked.

1 : Leadership And Group Interaction

- Did the group select the right leader and/or spokesperson?
- Did the group co-operate in presenting the right information?
- Did those people presenting information provide the right information in sufficient detail?

2 : Products

- What product did the group choose to sell wholesale, and why?
- Was there a strong commercial or business rationale?
- Did they provide a market-based justification?
- What products did the group decide to sell retail?
- Was there a strong commercial or business rationale?
- Did they provide a market-based justification?

3 : Customers And Marketing

- Did the group identify its potential customers and explain why it had chosen to sell to these parts of the market?
- Have they thought about barriers to selling and how they might overcome it?
- What market research has been done?
- What lessons were learnt from the market research?

4 : Pricing And Selling

- Did the group set sensible prices for its products?
- Did they explain why their pricing decisions had a fit with the market and their customers?
- What do you think of their arrangements for selling goods and customer care?
- Did they present a well-worked out advertising strategy?

5 : Managing Production

- How good were the proposed production arrangements?
- Did they propose a production plan and did it relate to capacity, demand, available skills and resourcing?
- Was there a clear proposal for decision-making and allocation of tasks?

6 : Setting Up

- Did the group identify the steps they would need to take if funded?
- Did the plans have a match with the sales and marketing strategy of the business?
- Were the set-up costs accurately costed?
- Had the group correctly identified all the legal requirements involved in running a business?

Additional Information

Advisors Notes

The Facts

Wood 'N' Tops cannot fund development of the showroom. It will have to be a commercial operation from the start. There is a demand for children's furniture (cots, desks, beds, bunk-beds etc) and also for decorative furniture (coffee tables etc). The premises suggested by the Council are a dilapidated church that will need extensive refitting and a thorough inspection of the electrics.

The People

Deirdre is much too busy to get involved and tends to have a fixed idea of what she wants and expects from people.

Arthur is no project-leader. Could advise on technical and production issues only. No good as a salesperson.

Amanda knows what people want and what they will pay for. Very useful in drawing up ideas about marketing and promoting the showroom.

Susie knows about furniture, the elderly and kids - possibly a good ideas person for suggesting products and new lines. Obviously a hard worker.

Frank doesn't have a lot of time. Probably a good person to look over the premises and draw up a list of things needing doing.

Mrs Silverman could probably get the Council to lend its architects to draw up plans and give advice, also to get help from her business chums in drawing up the Business Plan.

Jack Haycox is dangerous since he is powerful. He may not take kindly to a Tory being involved. He probably also pulls Brian's strings and like Brian is more interested in cost-cutting than enterprise.

Brian is a devious person who will let people stick their necks out to help him achieve something and drop them later when things go wrong. But if the Business Plan meets his (secret) agenda would be a good spokesman for it.

Clarice is one of those people who claims more than they should. She worked in the canteen at MFI and would try to take the project over if involved.

The Business

The workshop has the necessary equipment to make bookshelves, coffee tables, bedside cabinets, cots, bunk beds, office desks, wardrobes, dressers, TV cabinets and picnic tables. It does not have the equipment (a bandsaw) to make toys or sofas. A second-hand bandsaw would cost £800.

The workshop could sell sofas and picnic tables wholesale and all the rest retail.

Wood 'N' Tops is situated in the middle of a depressed overspill estate, the church is on the outskirts near the main road. Nearby is Shiverton. There are many families with young children and an old people's home but people do not have a lot of money.

It is anticipated that the showroom would be visited by 600 people per week of which 60 would purchase something.

The following are the cost price of the products: Bookshelf £10; Coffee Table £8; Cabinet £8; Cot £15; Bunk Bed £50; Office Desk £45; Wardrobe £12; Dresser £15; TV Cabinet £18; Picnic Table £40; Toy £3; Sofa £70

The following are the person hours to make each item: Bookshelf - 3 hours; Coffee Table - 5 hours; Cabinet - 6 hours; Cot - 10 hours; Bunk Bed - 12 hours; Office Desk - 10 hours; Wardrobe - 5 hours; Dresser - 6 hours; TV Cabinet - 4 hours; Picnic Table - 7 hours; Toy - 1 hour; Sofa - 15 hours.

The current time being worked in the workshop is 100 person-hours. The maximum capacity is 240 person-hours.

The following quotes for fitting out the showroom have been received:
 New floorboards £80; Wiring £300; Glazing £120; Painting £100; Carpets £250; Laying Carpets £50; Making and Fitting Shelf Units £180; Painting Sign £90; Plastering £160; Constructing Office £250.

Things The Group Should Know And Do

- 1 : **Amanda** is probably the best Chair to signal the importance people attach to the project.
- 2 : It would be best to choose things that can be made without additional equipment. If the group chooses to make things requiring additional equipment, ask why.
- 3 : The best wholesale item is probably Sofas, followed by TV Cabinets and Picnic Tables. The best retail items would be Cots, Beds, Toys, and Coffee Tables. Note, there has been no mention of upholstering because no-one knows how.
- 4 : Does the summary say what the current situation is and what the project hopes to achieve?
- 5 : Do the products chosen match the kinds of people around the estate, what they need and what they could pay? If not, ask why those products were chosen.
- 6 : Problems might be: Old People - showroom too far, no transport; Families - no parking, can only shop on weekends; Young Parents - off bus route, no babysitter.
- 7 : Further information: Library, Local Council, Trade magazines, Yellow Pages, Local Newspapers, Catalogues, Social Surveys.
- 8 : **Amanda** would work well in charge while **Susie** could work well selling. If the group have chosen other people, ask why.
- 9 : **Amanda** would be good at advertising.
- 10 : The best people to work in the workshop would be **Arthur** or **Susie**. In fact 'Wood N Tops' does not have enough production personnel to provide the 240 person-hours available.
- 11 : **Frank** could cost repairs. Note that many of the things quoted for could be done by 'Wood N Tops' volunteers. If there is no allowance for this, ask why not. If the group does not include a burglar alarm or smoke detectors, ask why.

- 12 : Ways to make the showroom attractive could be bigger windows, heating (not mentioned in costings), play area, parking, false ceiling, music, glass doors, big signboard, pictures/murals etc.
- 13 : Arthur or Council Technical Department best for drawing up plans.
If someone else is chosen, ask why.
- 14 : If there is under-capacity (too many things being made) ask how this will be handled. If there is over-capacity (too few things being made) ask why.
- 15 : If the workshop is producing more than 60 items for retail sale ask why.
- 16 : Arthur is no project-leader so it would probably be best to make someone else 'boss' of both workshop and showroom. Who does the group choose, and why?
- 17 : Legal requirements could be Planning Permission, Change of Use, Fire Certificate, Employer's Liability Insurance, Public Liability Insurance, Premises Insurance, Tenancy/Lease Agreement, Health & Safety policy, Equal Opportunities policy, Contracts of Employment, Vehicle Insurance

WORKING WITH GROUPS

- THE BUSINESS PROPOSAL

Managing the process of making a business proposal to funders and stakeholders is a critical stage in the process. The group must have complete understanding of the business proposal, good communication skills and appear confident and determined. A self-starting group will be all this. If not, then further development will need to take place, perhaps with the group retracing its steps and focusing on basic skills and confidence-building.

There is no substitute for knowledge and experience in building confidence. The difficulty is that most groups don't know what they don't know! A little bit of 'leadership' or 'pro-action' in the early stages - especially in ensuring the right people are occupying the right roles - can ensure the project develops properly later on.

Some Development Issues

1: The Development Process

- Has the group got the confidence, knowledge and energy levels to take them through the business proposal stage successfully?
- Does the group understand that funding decisions often take some time to be made?
- Does it have the will and capacity to respond to requests for further information?
- Do all members feel involved and valued and are all equally engaged with the project?

You can have leaders and followers, people with pivotal roles and less important ones. But you can't have different levels of enthusiasm and energy, different agendas or boundaries. Confusion about the purpose of the project, its 'ownership' or levels of risk the group will embrace will all show up in the business plan or proposal. The group must have a high level of practical unity or its chances of success will be less.

2 : Language And Communication Skills

It is likely the group will not have dealt with the people who are potential funders before, and have a limited understanding of either the process of making a funding decision or the language of bureaucracies and institutions.

- Developing an understanding of the language of funders may require intensive work
- A major barrier to developing understanding may be lack of confidence
- When stress enters, communication skills can exit. Practice asking for funding in non-threatening environments where coping skills can be built

3 : Roles

Funders are often used to dealing with particular people playing particular roles, for instance the lone entrepreneur. How and who presents the business proposal may need to match these expectations. A bank may expect a well-understood and detailed proposal from a single person. Public funders may expect to meet a group or even the group plus community representatives.

The key is that the group understands this and assigns roles accordingly, with each role being thoroughly studied, researched and practiced.

Development Notes

Knowledge

- Does the group have the depth of knowledge to make a successful presentation?
- Has the group developed an understanding of what affects stakeholder perceptions and decisions?
- Does it know who will make the funding decision and how to pitch its proposal?
- Has the group formed positive relationships with key individuals and stakeholders?
- Is knowledge shared equally and equally understood?

Negotiation And Communication Skills

- What are the kinds and levels of intercommunication between group members?
- Does the group negotiate effectively with external stakeholders and/or with each other?
- Can the group communicate effectively with external stakeholders?
- Has the group developed an understanding of the language of business?

Leadership

- Have strong and effective leaders emerged?
- Are roles clearly defined?
- Is there clear agreement between 'leaders' and 'followers'?
- Are leaders trusted and respected by group members and external stakeholders?
- Are people in leadership roles in 'for the long haul'?

Development Of A Culture Of Aspiration

- Has a positive and business-like culture developed?
- What are energy levels in the group like?
- Is effort focused on achievement or discussion and debate?
- Has the group got an understanding of what a successful bid for funding might entail?

Management Of Process

- Is there effective delegation and/or co-ordination?
- Does the group assign tasks to the right people?
- Do tasks get done quickly and effectively?
- Does the way the group is working have a positive or negative effect on its unity, cohesion and focus?
- Is the group properly aware of both timetables and timescales?
- Do tasks done and milestones passed add or subtract from energy levels and involvement?