Community Enterprise

WORKBOOK

Stronger communities – making it our business
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The Community Enterprise Resource Kit has been developed by the Brotherhood of St Laurence (the Brotherhood) and the Victorian State Government to help individuals, groups and community organisations understand and establish community enterprises.

The Kit takes the Brotherhood’s practical experience in running its own community enterprises and combines it with the know-how of existing community enterprises and business consultants to explain the unique aspects of developing a community enterprise from the ground up.

The Kit gives you an easy-to-follow framework for responding to local issues through the establishment of a community enterprise.

Community enterprise is about social capital, it’s about people capital, it’s about cultural capital.

John Collyer, Worn Gundidj Cooperative
What does the Kit contain?

To establish a community enterprise, you need commitment, enthusiasm and as much support and guidance as you can muster along the way.

Mark McKenzie-McHarg, Yackandandah Community Development Company Ltd

To help you get your community enterprise established, the Kit contains a comprehensive package of tools. Together, these tools will provide you with a background to community enterprise, describing current practices and illustrating the variety of approaches you can use to establish your own enterprise.
**Introduction to Community Enterprise**

This booklet provides an overview of the concept of community enterprise.

**Community Enterprise Workbook**

The terms ‘community’ and ‘enterprise’ are equally important in the development of a successful community enterprise. The Workbook covers both aspects, which makes it a little different from a traditional resource on business planning or business start-up.

The Workbook is divided into four sections.

**Section 1 – Discover**

Get your community enterprise journey under way by identifying community issues and investigating the reasons why you want to start a community enterprise.

Section 1 also explores the composition of your community group. Who will be involved? What skills do individuals bring to the group? Who are your key stakeholders?

**Section 2 – Dream**

What do you see as the ideal community enterprise? What are your hopes, dreams and aspirations? You will explore, think, research and investigate ideas.

This section gives you some general tools to generate dozens of community enterprise ideas. It also provides several tools to help you filter your long list of ideas to a manageable number.

**Sections 3A and 3B – Design and Decide**

It’s time to consider what your community enterprise ideas will actually look like. This section guides you through a number of key questions to add structure and substance to your concepts.

You will then decide on one idea for which you will carry out a feasibility study. Based on the outcomes of your feasibility study, you will make a decision about whether or not to start up your community enterprise and move on to Section 4.

**Section 4 – Do**

You will now have what you need to make a decision to pursue your community enterprise. It’s time to do your business plan, which will spell out how to get your enterprise up and running and set your goals and projections for the first three years.
Community Enterprise Across Victoria DVD

Stronger communities – making it our business is a 10-minute program delivered by key speakers from the Brotherhood, Melbourne University and the Victorian State Government. These speakers discuss such topics as:

- What is a community enterprise?
- What is a community?
- Why is it important?

This informational DVD program also showcases five successful community enterprises.

- **Yackandandah Community Development Company Ltd**: a community-owned cooperative that owns and operates the local petrol station.
- **Eaglehawk Recycle Shop**: a community enterprise that focuses on recycling and providing jobs in Bendigo.
- **Myrrhee Primary School Vine to Wine Program**: a school-based community enterprise that makes premium quality wine.
- **BSL Community Contact Services**: a community enterprise that offers public housing residents a pathway to employment.
- **Worn Gundidj Cooperative**: an Aboriginal cooperative that provides employment opportunities for the Indigenous community in south-west Victoria.

The case studies are personal accounts of the development of five different community enterprise models as told by key individuals in these businesses. These personal testimonials will give you a first-hand explanation of the highs and lows of starting and running a community enterprise.

Conclusion

Creating a community enterprise is a difficult and time-consuming task, but ultimately rewarding for everyone involved and their community.

Even though the Kit will provide a solid foundation for kick-starting your community enterprise, you may also need to seek advice from external professionals or consultants in regard to legal and financial issues.

*We wish you the best as you start your community enterprise journey of discovery. Good luck!*
Introduction to the Workbook

Where do I start?

This Workbook takes you through the whole business planning process. It provides a framework for discovering community priorities, dreaming about enterprise ideas and designing the business to start-up.

Everyone who picks up this Workbook will be starting the process of creating a community enterprise from a slightly different point. Where you start will be determined by your current level of experience or the stage of your enterprise development. For example, the starting point for a group that is exploring ideas for the first time will be different from a group that has already identified the need to buy out a local service such as a post office or milk bar.

Whatever the case, the Workbook will be relevant to you or your group in some way. But first you need to know your starting point. Are you:

<table>
<thead>
<tr>
<th>An individual? For example:</th>
<th>An organisation? For example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• an entrepreneur who wants to start something that will benefit the community</td>
<td>• a local council</td>
</tr>
<tr>
<td>• a concerned citizen who sees a gap or a need that should be addressed</td>
<td>• a community organisation</td>
</tr>
<tr>
<td></td>
<td>• a school</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A collective of interested people? For example:</th>
<th>A facilitator? For example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• a volunteer committee or taskforce</td>
<td>• an economic or community development worker</td>
</tr>
<tr>
<td>• a loosely affiliated or unaffiliated group of community members</td>
<td></td>
</tr>
</tbody>
</table>

**Individual**

The Workbook will help you identify others who can provide you with support throughout the enterprise development process.

**Organisation**

If you start this process as an organisation, you probably have a clear mission underlying your interest in community enterprise. Use the Workbook to guide your organisation through the enterprise development process.

**Group**

If you are a group, either formally affiliated or not, the Workbook will help you come to a common agreement on your main focus and identify others who may assist you to start up an enterprise.

**Facilitator**

The Workbook will provide a framework for you to work through with an identified community or group.

**How does the Workbook help groups?**

If you have a group, its composition is likely to change over time. As your enterprise idea evolves, different skills, interests and expertise will be needed to take the enterprise to the next stage. However, you need a core group of people that stay with you throughout the process; this is helpful to maintain consistency and keep the project from losing momentum. Your group will need a champions and catalysts, people to provide the energy and passion to make it all happen.
The following table gives you an idea of how the composition of your group may change through each stage of your community's enterprise development.

<table>
<thead>
<tr>
<th>Stage of development</th>
<th>Discover</th>
<th>Dream</th>
<th>Design</th>
<th>Decide</th>
<th>Do</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
<td>Describing your community context</td>
<td>Brainstorming potential enterprise ideas</td>
<td>Working through a few potential ideas to see which seem most valuable to pursue</td>
<td></td>
<td>Business plan</td>
</tr>
<tr>
<td><strong>Possible structure</strong></td>
<td>Open meeting</td>
<td>Meeting of interested stakeholders</td>
<td>Meeting of interested stakeholders/ working group</td>
<td>Working group/advisory committee</td>
<td>Management committee/board</td>
</tr>
<tr>
<td><strong>Possible members</strong></td>
<td>• community members • community organisations • council • schools • businesses</td>
<td>Those who are interested in pursuing the enterprise concept</td>
<td>People committed to developing the enterprise concept</td>
<td>Key stakeholders who are likely to have a role in the enterprise</td>
<td>Based on the needs of the business identified, should include some original group members</td>
</tr>
<tr>
<td><strong>Qualities needed in the group</strong></td>
<td>Proactive, well-networked, perceptive, curious, forward-thinking</td>
<td>Open-minded, creative, visionary, able to see ‘the big picture’</td>
<td>Logical, expressive, clear-thinking, able to transform an idea into reality</td>
<td>Analytical, practical, decisive, realistic, sceptical</td>
<td>Action-oriented, technical, persistent, committed, outcome-driven, with an eye for detail</td>
</tr>
</tbody>
</table>

Structure of each section of the Workbook

Each section is made up of a snapshot – a summary of the key points of the section, listing the worksheets that will help you work through that particular stage of starting your community enterprise. An explanation follows of why and how the section is useful. At the end of each section is a set of worksheets that will be useful to work through as a group. You will know when to use the worksheets from the icon in the margin.

Most worksheets are written assuming that one (or two) member(s) will act as facilitator(s) for these sessions, whether formally or informally.

Facilitators will need a good supply of butcher’s paper or a whiteboard and markers. You will also need a DVD player or a PC/laptop with a DVD drive. Group members will need a pen and paper and a calculator.
How do I use the Workbook?

You can use the Workbook in a number of ways:

- by working through the sections independently
- by working through the sections with the support of a facilitator (or mentor)
- by working through the sections in a series of guided workshops or training sessions.

Remember that developing a community enterprise is not always straightforward. There are times when you will need to move forwards, backwards and between two or more areas. This is particularly the case between the Design and Decide stages in the Workbook.

A good way to understand this journey is to think about the process as a series of gear changes.

To get started, the driver puts the car into first gear. Then, moving forward needs a series of smooth gear changes. As every driver knows, there are corners, intersections, stops and restarts to negotiate as you make the journey to your final destination. You need to change gears frequently up and down, and sometimes you may make a wrong turn and will need to get back on track before you reach your destination.

**Hint**

*Want to get started as soon as possible? We suggest you start a couple of steps earlier than where you believe you are. Don’t take anything for granted.*
We were losing our petrol station. We could sit back and whinge about rural decline or do something about it. So a number of us said ‘let’s have a crack at it’.

Mark McKenzie-McHarg, Yackandandah Community Development Company Ltd
Section 1: Discover

Snapshot

<table>
<thead>
<tr>
<th>Stage of development of the group</th>
<th>First gear: Discover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Describing your community context</td>
</tr>
<tr>
<td></td>
<td>Discussing your primary purpose</td>
</tr>
<tr>
<td>Possible structure</td>
<td>Open meeting</td>
</tr>
<tr>
<td>Possible members</td>
<td>• community members</td>
</tr>
<tr>
<td></td>
<td>• community organisations</td>
</tr>
<tr>
<td></td>
<td>• council</td>
</tr>
<tr>
<td></td>
<td>• schools</td>
</tr>
<tr>
<td></td>
<td>• businesses</td>
</tr>
<tr>
<td>Qualities needed in the group</td>
<td>Proactive, well-networked, perceptive, curious, forward-thinking</td>
</tr>
</tbody>
</table>

This section is about understanding your community and agreeing on the purpose for creating a community enterprise.

Checklist

• Have you identified your starting point?
• Will you set up a community enterprise as an individual, an organisation or a group of people, or will you act as a facilitator?

What you will do in this section

• Work out who you need to involve if you want to start a community enterprise (the stakeholders).
• Identify resources in your community.
• Agree on a primary purpose for your community enterprise.

Worksheets

1:1 Identifying stakeholders
1:2 Sketching resources
1:3 Identifying the primary purpose for starting a community enterprise
1:4 Writing a purpose statement – bumper bar sticker
What is a community?

Community is primarily about a sense of belonging and common purpose. It can be defined in three ways.

Community of interest

A community of interest includes groups of people sharing either a common interest (such as sport), or a common profession (such as engineering). A community of interest could also include people with a particular social or political agenda, for example, advocates of solar energy.

Community of place

A community of place is defined geographically. For example, a community may be a country town, a suburb or part of a suburb. This definition recognises the importance of place within people’s lives and how that impacts upon their social, physical and economic wellbeing.

Community of people

A community of people can be about a sense of common identity between people with shared backgrounds or experiences (such as recently arrived refugees) or people from a particular ethnic, cultural or religious group.

The boundary line for your own personal definition of community may be well defined or it may be blurred, but Section 1 will help you begin to put some parameters in place.

Role of the community in your community enterprise

The community will play a fundamental role in your community enterprise. A community enterprise, by definition, needs community participation. Community members can participate in the process in a number of ways, including through:

- consultation or inclusion in the planning and development stage
- participation in the enterprise as employees
- participation in the enterprise as customers
- management of the community enterprise
- membership on a steering committee or committee of management
- benefitting from the existence of the community enterprise (for example, the enterprise makes the neighbourhood safer, tidier or more pleasant).

You may find yourself dividing the community into segments with different levels of involvement in the enterprise. For example, a landscape gardening enterprise may:

- consult residents to assess the need for the enterprise
- employ long-term unemployed residents to work in the enterprise
- service the homes of elderly residents
- benefit the broader community by keeping the neighbourhood well maintained.

At every stage of the developmental journey, it is important to remember to include your community.
Discovering your community

Section 1 is an opportunity to explore your community. Here you will ask yourself a number of critical questions. The quality and depth of your answers will allow you to move forward successfully with the establishment of a community enterprise. These questions include:

- Who is involved in your community enterprise group?
- Who are your key stakeholders?
- How will your stakeholders come together as a group?
- Why is community enterprise an option for your community?
- What resources exist in your community to create an enterprise?

Importantly, this section will help you identify the primary purpose for establishing a community enterprise – this is a key moment in the development and evolution of your enterprise.

It is now time to move your journey into first gear: discover your community. The ideal place to begin your enterprise journey is with a thorough analysis of your community.

Who do you need?

From your starting point, think about your community and others who might have a stake in the development of your community enterprise. This is an opportunity to explore the composition and profile of your community. Who will be involved? Who are your key stakeholders? What is the local context?

Think broadly about the people that you associate with and whether they could contribute. You may also want to think beyond your existing contacts – don’t be afraid to extend an invitation to your local councillor or a representative of a large community or government organisation that you have not worked with previously.

Take special consideration of how to involve the community in the early stages of developing a community enterprise idea. Many people or groups will be far more supportive if they are involved from the beginning, while others (local industry, for example) may prefer to be involved only if there is a specific role for them to play; some may simply prefer to be kept informed. You need to consider who to involve and when in the context of your own community and the enterprise that you are developing.

Just as your starting point may be unique, the number and variety of stakeholders that you consult with will also vary depending on your goals. Some groups will pull the whole community together, while others will undertake the planning for their community enterprise within a select group. Consider your starting point and your goals when identifying stakeholders.
Worksheet 1:1 can help to identify who might support the project, who you should consult about what you are doing, and who you should keep informed about your progress. Getting agreement and acceptance from different groups and individuals can help ensure the success of your community enterprise later.

Please note that your community enterprise group will probably change composition over the establishment and development period. Getting the right people at the right time is half the battle of initiating a community enterprise.

Before working through Worksheet 1:1, we suggest you view the Eaglehawk Recycle Shop case study on the DVD. Take special note of the section on ‘Partners’.

**This is a good point to do Worksheet 1:1**

**Bringing stakeholders together**

Now you have a good idea who your stakeholders are, it’s time to determine the best way to bring them together.

The formality of the initial stakeholder meeting will depend on the number and familiarity of the people and groups involved. If it is a large group, you might consider having the meeting facilitated. If it is a small group of people who are accustomed to working together, you will probably already have patterns and meeting processes that you can follow.

**Setting ground rules**

Work out a few key roles within your group. You will need someone to:

- organise meetings – including setting dates, times and venues, communicating with members of the group, gathering support and circulating agendas
- document outcomes of meetings – taking minutes or at least documenting the results of workshop activities; recording action items and outcomes of the meeting; and communicating these to the group
- facilitate meetings – maintaining the flow and focus of the group.

You will find it useful to establish ground rules for your group, especially if you have not worked together before. For example, you could establish a structure for the meetings you hold, agree who will facilitate activities and establish a system for recording decisions. Ground rules need to be decided and agreed on by all members of the group.
You will also find it useful to establish ground rules for behaviour and attitude. Ensure that they are simply stated and explicit to establish certain expectations. You might like to consider the following:

**Positively framed – DOs**
- Constantly remember that we are all here for a common purpose
- Practise unconditional positive regard and respect for each other
- It is the role of each of us to make this work for all stakeholders
- Be honest; have truthful open discussions
- Have fun (take the work seriously, but not ourselves)
- Search for mutual understanding
- Actively listen to each other
- Everybody participate
- Stay focused on the objectives
- There are no stupid questions
- See others’ point of view
- Give everybody a fair go

**Negatively framed – DONT’s**
- Don’t bring your ego with you
- Don’t interrupt
- Don’t resort to character assassination
- Don’t be late to meetings
- Don’t waste time
- Don’t answer mobile phones
- Don’t have side conversations

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**Initial stakeholders’ meeting**

You will need to allow a minimum of two to three hours for the initial stakeholders’ meeting. The agenda might include:

1. **Introductions – why are you here?**
2. **Thinking about community enterprise in your community**
3. **Brainstorming community resources**
4. **Discussing the primary purposes for the community enterprise**
5. **Discussing the next steps**

**Hint**

*To maintain constructive thinking during long meetings you will need breaks every 60–90 minutes for refreshment and recharging.*

**Why are you here?**

It’s important that people are able to communicate why they are at the meeting. Ask: What brought you here today? Why are you interested in community enterprise? This process not only gets everyone talking; it also provides valuable information regarding people’s expectations and knowledge.
Thinking about community enterprise in your community

It is sometimes helpful to see where others have come from when initiating a community enterprise. You may want to play the *Community Enterprise Across Victoria DVD* or discuss other examples of community enterprises that members of the group are familiar with, or discuss the definitions and principles in *Introduction to Community Enterprise*.

Even if some members of the group are well initiated, coming to a common understanding of community enterprise is a good place to start. Once you’ve discussed community enterprise generally, you might want to consider some of the following methods for uncovering community enterprise opportunities in your own community.

Gaps in the market

Some community enterprises are started for reasons very similar to those of a traditional, commercial business – either there is a lack of supply or there is unmet demand for a particular product or service. Starting a community enterprise from this basis sets you up for economic success – it is how you choose to run your enterprise and achieve your social objectives that will make the enterprise different from a mainstream business.

These opportunities can be identified by speaking to local residents or business people in the community, and by considering local economic data – it’s good to have people involved in the process who have this knowledge or access to it.

Plugging the leaks – local economic development

This is a way of looking at your local economy using the analogy of a leaky bucket. This leaky bucket has water (money) being poured in at the top – salaries, pensions, grants, state or federal government money to fund services (for schools, hospitals, local government) and the spending of visitors or tourists in the area. The longer the water can be kept in the bucket, the healthier and richer the local economy. The quicker it leaks out, the poorer the local economy.

You might find it a productive exercise to identify the ‘leaks’ in your community and find ways of plugging them. This may be similar to finding a gap in the market. For example, a community whose shops do not have a good selection of fresh fruit and vegetables may find that people do the bulk of their shopping outside of the community. If fruit and vegetables were available locally, residents might change their shopping habits and shop closer to home, not only purchasing the fresh produce, but all of their grocery items, within the community.

It is not only individuals who make decisions about whether to spend their money inside or outside the local community – it is also businesses and public organisations. Even a 10 per cent change in the spending pattern of this latter group can have an immediate and sizeable impact on a community.
Accessible contracts
Every business needs customers. Many businesses spend a lot of their time and money attracting individual customers, and if they are lucky, repeat customers. One way that an enterprise can start out is by securing a contract – this can be the enterprise’s ‘bread and butter’ and a base from which to build. For example, a catering enterprise can secure catering jobs from local businesses and residents; it can also secure a contract with the council that would give a stable, predictable income from which to build the business.

Think about your networks and connections. You might find that your local council or the organisation you work for would be happy to offer a contract for cleaning services, catering or a particular product or service to a community enterprise.

You may also be able to find a niche by taking on small jobs for a larger contractor, such as doing the ‘fiddly bits’ for a large construction contractor; for example, minor home repairs, site clean-ups and other small jobs. This might suit your community enterprise objectives – the skills required would be fewer than those required by a registered builder, but the enterprise would be preparing staff to move onto a range of jobs in the industry.

Keep these things in mind as your group starts mapping its own community resources to generate community enterprise ideas.

Modifying a social program
Neighbourhood houses, community health centres and disability providers have often adopted community enterprise models because they are already providing training or activities for social purposes that have commercial applications. It’s not a big leap from making woven baskets in a class, to selling them at a local market and then using the profits to purchase more equipment, to pay the participants or to fund other programs.

Brainstorming community resources
Worksheet 1:2 will guide you in thinking about your community’s resources. Keeping in mind some of the things discussed above, it is your resources and strengths that will get your community enterprise off on the right foot.

Opportunities in your local area or within your community that you may want to explore could include an empty, unused building, a new housing development, a socially responsible council, a lookout, lake or other geographic feature, or specific industry expertise. All of these may form the basis for a community enterprise idea. It is likely to be a combination of these things, all considered in the light of what it is you are trying to achieve.

Most communities have the opportunities and assets at their disposal if they know where to look and who to ask.

This is a good point to do Worksheet 1:2
Discussing primary purpose

Your primary purpose for starting a community enterprise will flavour and drive every decision you make from this point forward. If it seems too soon to decide on a single primary purpose, you can move forward into the next stage with a number of purposes in mind; otherwise, try to determine the main reason you are interested in developing a community enterprise.

With diverse groups of people it is unlikely that you will get a single, unifying purpose straight away. However, if you keep asking people why they believe in a purpose, you will eventually find common ground. People are more likely to agree on why than they are to agree on how.

If you watch the Community Enterprise Across Victoria DVD, you will see how community groups in Victoria have established community enterprises in response to a range of different fundamental community needs. In Introduction to Community Enterprise you learned there are five key purposes that tend to stand out as reasons:

1. providing an opportunity for participation or engagement
2. providing a pathway to employment
3. creating employment
4. retaining/gaining a needed product or service
5. achieving environmental benefits.

Before we begin the process of dreaming about ‘what could be’ in your community, it is important to agree upon why the group is coming together in the first place.

Five primary purposes

Five primary purposes for establishing a community enterprise were raised in the booklet Introduction to Community Enterprise. Now let’s explore in more depth some of the main features of these purposes.

1. Providing an opportunity for participation or engagement

This purpose describes a community that may have issues with isolation or involvement, which need addressing; for example, a newly arrived group of refugees living on the outskirts of a city, or a group of school children who are disengaged from school and would benefit from vocational training.

A community may also want a community enterprise to bring the community together as a whole through, for example, a self-funding annual event like a bike ride or a music festival (note that not all of these events are run as ‘enterprises’; they may rely heavily on sponsorship and charitable donations).

2. Providing a pathway to employment

Communities that have a high rate of youth or adult unemployment despite the availability of jobs may have a need to build bridges to work opportunities. Enterprises that provide a pathway to employment will focus on developing the vocational skills, self-esteem and work history of participants in the setting of a real workplace. The enterprise will then provide the support and assistance to create a pathway for participants into mainstream employment.

These enterprises tend to work in industries where there are high labour requirements, quick skills acquisition and clear pathways to skills shortage industries.
3 Creating employment
In communities where people are excluded from the labour market, or long-term unemployment exists for some people, a community enterprise can also provide ongoing employment opportunities. Community enterprise can be viewed as an economic development strategy, especially for those who operate on a larger scale and can provide a significant source of employment for local residents.

4 Retaining/gaining a needed community product or service
Often ‘communities of place’ develop a community enterprise when an important local business is in danger of closing. A community enterprise may be established to address this need. In retaining the product or service, the associated jobs are also retained locally.

In some situations, community enterprises are established because there is a need for a service that did not exist before, such as a post office in a rural town.

5 Achieving environmental benefits
A community enterprise may be developed to achieve an environmental benefit, such as improving the energy efficiency of homes, increasing the use of domestic water tanks, decreasing waste going to landfill or recycling PCs from local businesses. The collective, non-profit oriented aspect of community enterprise has strong alignment with the values of the environmental movement.

Now ask yourselves: What is your group’s primary purpose for establishing a community enterprise?

This is a good point to do Worksheet 1:3 and 1:4

Before starting Worksheets 1:3 and 1:4, we suggest you watch the five case studies on Community Enterprise Across Victoria DVD, which clearly demonstrates these five primary purposes.
Conclusion

So far, you have pulled a group together to discuss your community’s context and identified a purpose for establishing a community enterprise.

Community enterprises exist within a complex world. Identifying the primary purpose simply provides one framework against which decisions can be made when it appears there are multiple paths ahead. It does not preclude other purposes being considered.

Hint

*If your objectives are not consistent with any of the purposes identified, you may need to consider whether an enterprise approach is the right approach for achieving your group’s goals.*
Preparing for Section 2

Before you begin the next section, *Dream*, you might want to consider some of the following:

Your group:
- Is there anyone missing? Refer to your purpose, stakeholder and resource maps. Who else would be interested in a group with your purpose? Are there any stakeholder groups you feel are important who are not currently represented? Are there any resources which you feel you could use, but their owners (or expert knowledge about the resource) are not here?
- Is there someone in the group that could contact additional stakeholders between now and the next time the group gathers? Personal invitations using your networks of friends and acquaintances are often best.

The community:
- Has the community been adequately represented in the process so far?
- If not, how will community be represented going forward?

You may choose to combine the *Discover* and *Dream* sections into one longer meeting – this can help maintain momentum and keep a consistent group on the task. Otherwise, you may wish to spend more time setting the scene and describing community enterprise and break the *Discover* and *Dream* sections into two separate sessions timed a week or two apart. This gives group members time to digest what has been discussed and bring additional stakeholders on board between meetings. The choice is yours and your group’s.

Now that you have gathered a number of people around a table to discuss community enterprise in your community, you may find that momentum begins to build for the project. Capturing this momentum will help your community enterprise succeed.
Worksheet 1:1

Identifying stakeholders

**Purpose**
To identify your community group’s key stakeholders (both internal and external).

**Preparation**
This activity is best done in small groups of six to eight people seated around a table. You should allow approximately 10–15 minutes to complete the maps plus 5 minutes for each table to present their work.

**What to do**
1. Draw the Stakeholder doughnut diagram on butcher’s paper.

You will need to decide who your internal and external stakeholders are.
2 Ask group members to brainstorm a list of internal stakeholders, that is, people who should be involved with this group and process. Ask:
   • Which stakeholders are already a part of your group (for example, organisations, government departments, council representatives)?
   • Who are the people who work with or are members of the community that would have an interest or contribution to make to the community enterprise (for example, community leaders, resident associations, service organisations)?
3 Write all suggestions on the inner circle of the doughnut. Use both generic and specific titles as appropriate.
4 Now ask: Who will the community enterprise concern and serve? This will help you generate a list of external stakeholders. Include people who will benefit directly from your community enterprise; people and organisations you will need to ‘get on board’; interested parties and others who will be involved once the operation is running. Use the following questions to help generate a list:
   • Which groups will benefit directly from your community enterprise (for example, youth, unemployed, aged, disadvantaged groups)?
   • Who has a stake in your community and would have an interest or contribution to make to a community enterprise, but may not have a local presence (for example, State government departments, your local Area Consultative Committee, regional disability services)?
   • Who might you wish to call on for assistance in the future? The early involvement of these people may build confidence and rapport.
   • Who has an interest in the outcome of what you are doing (even those you think might have opposing views)?
5 Write all suggestions in the outer circle of the doughnut. If you think this list is incomplete, think of people who can help you fill the gaps.
6 You now have an initial list of the people who should probably be involved in this stage of the development of your community enterprise. If you ran this activity with separate groups, have them ‘share and compare’ to obtain a complete, combined list.

Stakeholder mapping at this early stage is purely exploratory. The stakeholder list will change over time as your enterprise development progresses.

Discussion

Now that you have identified your stakeholders, consider whether each stakeholder group should be:
   • directly involved (now or later)
   • kept informed
   • involved in a specific task/role.

Discuss the links your group members have with the stakeholders and decide on an approach for briefing those identified about your community enterprise.
Sketching resources

Purpose
To evolve a visual map or sketch of the resources available to your group.

Preparation
This activity is best done in small groups of six to eight people seated around a table. You should allow approximately 10–15 minutes to complete the maps plus 5 minutes for each table to present their work.

What to do
1. On a piece of butcher's paper, draw the inner circle of a resource map and label it ‘Community’. As you draw the map, explain that it consists of concentric circles starting with ‘Community’ in the middle and radiating out to resources that are available only second-hand or through connections/networks – this is a measure of how accessible that resource is.
2. Now draw four lines to quarter the page and label these: geographical, social, economic, financial. Explain what these areas can include:
   - Geographical: physical features, transport links, infrastructure
     It is important to include both the natural and man-made features and structures. For example, to Sydney, both the Opera House (man-made) and the Harbour (natural) are great resources.
   - Social: people, community, networks, diversity and intangibles (knowledge, enthusiasm, goodwill, ideas people, individuals, vision)
   - Economic: organisations, goods and services, industry, funding bodies, local businesses, government agencies, etc.
   - Financial: funding, services in kind, earning potential.
3 Explain that the map is designed to highlight what you have (creating a positive frame of mind) rather than what you don’t have. It is to be realistic, but not necessarily exhaustive.

4 On their own diagrams, have small groups write all the resources that are immediately available, starting close to the centre. Encourage the groups to think ‘further out’ to list resources that are less available to them. The quadrants will overlap, but that does not matter – the categories are only there to help start the discussion. Ask questions to encourage group members to stretch their imaginations so that you get a complete view of the resources as quickly as possible.

5 When small groups have completed their maps, encourage them to present and discuss them. Hold up the maps and explain the salient features as an appreciation of their work and effort. Don’t allow arguments. If one person thinks something is a resource, then put it down – better to list more resources than you really have, rather than less. Any overestimation will be filtered out later when a value grid or feasibility study is done.

6 Encourage other small groups to practise active listening and to ‘borrow’ from each other any resources they might have forgotten or were unaware of. Collate all the lists on the butcher’s paper or a whiteboard.

7 The map or sketch provides a shared picture of the group’s common experiences and understanding. Conclude with the following key messages and agree to the next step (discussing the purposes of the community enterprise):
   - Collectively we have many more resources than we realised.
   - By networking we can access some resources that appeared to be out of reach.
   - Money is only one aspect of the resource list.

Discussion

This activity is ideal for diverse groups who do not know each other well, but have a combined knowledge of the local area and community. The discussion that takes place while the map is being constructed is instrumental in bringing diverse points of view towards a common understanding and experience. It encourages individuals to share their resources.

It is also vital that the ‘mappers’ discuss problems or needs as part of the resource map to see if there are options for reframing these. For example, high unemployment is a good source of labour. A disused and abandoned factory may be renovated; waste products from an old tip or parkland may be a source of materials; a swimming pool may be made on the site of a quarry. Turning negatives into positive resources is what it’s all about.
Identifying the primary purpose for starting a community enterprise

Purpose
To identify the primary purpose for establishing a community enterprise.

What to do
1. There are five common reasons for starting a community enterprise. As a group, discuss all the community needs that you hope your enterprise will address. You may want to discuss why each person has come to this meeting and look for convergences.
2. Using a scale of 1 to 5, have every member of your group rank the importance of each reason from their personal perspective.
3. Total your scores to give an overall ranking order for the motivation for you to be involved in developing a community enterprise. This may require discussion but use this time to revisit your understanding of community and list of community resources and needs.

<table>
<thead>
<tr>
<th>Most important</th>
<th>Least important</th>
</tr>
</thead>
<tbody>
<tr>
<td>5  4  3  2  1</td>
<td></td>
</tr>
</tbody>
</table>

1. Providing an opportunity for participation or engagement
2. Providing a pathway to employment
3. Creating employment
4. Retaining/gaining a needed product or service
5. Achieving environmental benefits

Discussion
This process will help provide insight into your main reason for establishing a community enterprise. Discuss the following points:

- After ranking the five purposes, which one scored the highest value?
- Has the group broadly agreed upon the main purpose? If not, what other needs sit behind your group’s thinking about the primary purpose? How can these needs be accommodated?
- Have additional reasons been identified? How can these complement the main reason for establishing an enterprise?
- Is there or should there be a particular ‘target group’ that the enterprise will assist?
Worksheet 1:4

Writing a purpose statement – bumper bar sticker

Purpose
To identify the primary purpose for establishing a community enterprise (alternative to Worksheet 1:3).

What to do
1. Have members of your group write a bumper bar sticker that represents their purpose for wanting a community enterprise. Bumper bar stickers have to be short and sharp as this encourages clarity in thinking and succinct articulation of the concept.
2. Have each person (or group) read out their sticker. Extract further understanding and meaning by asking ‘why’ they said that. Draw out the reasoning behind the statement. Some stickers state clearly why; others are really saying how. A how statement does not give a purpose and should be expanded upon later.

Discussion
- Based on the bumper bar stickers, can the group agree on the wording for one (or two) stickers?
I say to many groups, take a look around you. What do you have on your doorstep that could be turned into a community enterprise? Don’t ask what the community can do for me, ask what you can do for the community.

Geoff Lacey, Principal Myrthee Primary School, Vine to Wine Program
Section 2: Dream

Snapshot

<table>
<thead>
<tr>
<th>Stage of development of the group</th>
<th>Second gear: Dream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Brainstorming potential enterprise ideas</td>
</tr>
<tr>
<td></td>
<td>Filtering ideas to find the ones with the most potential</td>
</tr>
<tr>
<td>Possible structure</td>
<td>Meeting of interested stakeholders</td>
</tr>
<tr>
<td>Possible members</td>
<td>Those who are interested in pursuing the enterprise concept</td>
</tr>
<tr>
<td>Qualities needed in the group</td>
<td>Open-minded, creative, visionary, able to see ‘the big picture’</td>
</tr>
</tbody>
</table>

This section is about generating multiple enterprise ideas and filtering these ideas to come up with a list of three to five ideas to take to the next stage.

Checklist

- Have you brought together a group of stakeholders who are all interested in the development of a community enterprise?
- Have you identified the resources in your community?
- Have you agreed on the primary purpose for starting a community enterprise?
- Have you identified a need that you believe a community enterprise will respond to?

What you will do in this section

- Recap the main points of the last meeting – Discover.
- Brainstorm ideas.
- Filter ideas.
- Discuss the next steps.

Worksheets

- 2:1 Dreaming
- 2:2 Filter 1: Value–effort grid
- 2:3 Filter 2: Filter table
Starting to dream

It’s time to change gears and begin dreaming. In the previous section, you laid the groundwork by pulling together a group of interested stakeholders to discuss community enterprise and the unique community context within which the enterprise will operate.

You may have started to see how a particular community enterprise could respond to a local issue or capitalise on a particular community resource. Alternatively, you may not have generated any particular ideas – just a sense that a community enterprise could be a useful tool for meeting the needs of your community.

When undertaking the activities in this section bear in mind the primary purpose for coming together, which was identified during the Discover stage. In generating and then filtering ideas, you will need to consider your unique community context, including the resources that you mapped out.

If you choose to combine Sections 1 and 2, Discover and Dream in a single meeting, we suggest you dive straight into the activities. If you are conducting this meeting one or two weeks after you went through the Discover section, schedule two to three hours for this session to allow time to regain momentum so everyone is set for the task. You may find it helpful to use the following agenda as a guide:

1. Recap the main points of the last meeting – Discover
2. Brainstorm ideas
3. Filter ideas
4. Discuss next steps

By brainstorming, you will generate dozens of community enterprise ideas that may work within the context of your community.

Then you will filter your ideas systematically to reduce them to a manageable few to explore further in Section 3.
Who do you need?

The community should be front and centre in the Dream stage. Even if you choose not to conduct an open meeting (probably the most inclusive process), make sure you consider how your ideas would fit within your community.

Between the Discover and Dream stages, the group will probably not change much. Make sure at least a core group of the people from the Discover stage are involved.

You may also want to consider including:
- people with good networks and information in the community
- people from outside the community that have resources to bring to the community
- community members or processes for consulting community members.

As time progresses, you will require greater commitment from the people involved. At this stage, however, a formal structure is not necessary – don’t worry too much about roles and membership. Because your group has yet to be formalised, you can expect some change in attendance. Take the time to make sure newcomers are well initiated – it will help them participate more fully in the process.

You will need to encourage members of the group to become ‘dreamers’, open-minded, optimistic, not judgemental. All of these qualities will improve the process of coming up with an idea that will work for your community.

As in the last stage, you will need someone to take on the role of organising meetings, facilitating and documenting outcomes.

Generating ideas

There are dozens of ways to come up with a great idea for your community enterprise. Brainstorming is one way to generate a lot of ideas in a short time.

Brainstorming is a time to open your mind and ask: ‘Why not?’ This stage does not last long, so enjoy thinking big for a while; you will bring things back to earth soon enough. Sometimes it is the seemingly crazy ideas that turn out to have the seed of a great idea.

It is important that the general attitude and atmosphere for brainstorming is positive and upbeat. Dreaming is a high-energy, high-passion activity, which uses the creative parts of our brains. The group may need ‘warming up’ with a quick, playful activity, just to get the creative juices flowing. Brainstorming is also a ‘team sport’, with people bouncing ideas off each other. Anywhere from 50 to 500 ideas can be recorded in a 15-minute period.

For example, a brainstorming session for a group whose main purpose is youth engagement might result in the following ideas:
- jobs for all
- pathways to work
- a place where young people can meet with others in the community
- a shop or a café where young people can work and be trained
- a training program that prepares young people for jobs in the construction industry
- early diagnosis of mental health issues
- schools as community hubs
- vibrant sports clubs
- mentoring by older people
- improve the local lake as a community asset
As you can see, brainstorming can bring up all sorts of topics. By not restricting it too much, you can match community enterprise responses to issues.

You may choose to complete the activity informally, in a small meeting or another forum. Do what works for your group and what you think allows you to generate the best ideas.

This is a good point to do Worksheet 2:1

Filtering ideas

From the brainstorming activity you will have generated many potential ideas for community enterprises and maybe some other ideas. Some will be large, bold concepts which immediately suggest a way forward. Others will be less clear or not fully articulated and may just seem odd or ridiculous. Some may just be thought-bites or concepts. These will fall out through the filtering process, but document them all as they will help in the Design stage. For example, you may have jotted down ‘older residents as mentors’, which cannot be evaluated as an enterprise idea. However, many enterprise ideas could involve an aspect of mentorship.

Experience shows that very few ideas are actually practical at this stage and it is very hard to tell which ideas will work. Ideally you would wish to investigate and design every idea you have. Unfortunately most groups do not have the time, energy or resources to do this, so try a filtering process to reduce the list of ideas to a manageable number.

You may also come up with really good ideas that are not community enterprise ideas. If you think these are the best ideas, then they may well be worth pursuing rather than developing a community enterprise. However, you may also want to put these ideas aside and consider them separately, so you can focus on ideas that could be run as community enterprises.

Hint

One of the rewards for people in the Dream stage is to be able to communicate their ideas to the wider group and for these ideas to be celebrated. If you thank people for their ideas with a simple round of applause, they will willingly give more passion when next called upon for their ideas.
The ‘filter’ activities in Worksheets 2:2 and 2:3 are a quick way to reduce the number of ideas your group has generated to a manageable number of three to five to take to the Design phase. These filters quickly measure each idea against a set of defined criteria.

**Preparing for Section 3**

Before you move on to Section 3, Design and Decide, make sure your group has generated a shortlist of potential community enterprise ideas for further exploration and that these have been filtered to isolate the ideas with the most potential.

By the end of this section, you should have:
- a shortlist of community enterprise ideas
- a secondary list of thoughts that may add to and develop the designs further.

You will work with these lists in the Design part of Section 3 to develop a few ideas that you will articulate and rigorously test in the Decide part of Section 3.

Don’t forget to set a date for the next meeting.

**Hint**

Don’t completely discard any ideas until the group has made a final decision on which idea to pursue. Sometimes sifting back through ideas can (with some lateral thinking or brainstorming) turn a silly idea into a potential enterprise.

If you still don’t have a manageable number of ideas to take to the Design stage, you should revisit Filters 1 and 2.

**Hint**

The filter activities require consensus. People who are attached to an idea may feel deflated if their ideas do not pass the filter process – it’s important that people are honest but respectful. That may mean really teasing ideas out so that there is a fuller understanding of what’s on the table and how ‘doable’ it is.
Dreaming

Purpose
To brainstorm a full list of enterprise ideas.

Preparation
If there is a large number of participants, break into groups of four to eight. If there are seven or fewer, stay as one group.

Allow 15–25 minutes for this activity. If group members are still enthusiastically generating ideas after 15 minutes, keep going until you feel you have run out of ideas.

What to do
1. Explain to members of the group that they are to generate as many ideas as they can within 15 minutes.

   Guidelines
   - Start anywhere, go everywhere.
   - Don’t think too much or analyse – talk off the top of your head (speak before you think!)
   - Record every single idea, no matter how ridiculous.
   - Don’t discuss ideas, just get them down.
   - Agree: no criticism, no ridicule, no negativity, no judgement.
   - If you feel like being negative – be quiet (go and have a cup of tea!)
   - Go for quantity and the quality will come.
   - Keep encouraging each other and asking for ideas.

2. There may be a lull or two, but give it a few minutes and see if the ideas pick up again. Feel free to throw in an idea or two (from another group) if a group has stalled.

3. If the idea output is slowing down, pull out your stakeholder and resource maps to see if the data here will prompt more ideas.

4. Open your mind to the four ways of developing community enterprise mentioned in Section 1, Discover:
   - gaps in the market
   - plugging the leaks
   - accessible contacts
   - modifying a social program.

Take a break at the end of this activity – it can be exhausting!

Discussion
There is no need for discussion of any of the ideas generated. Indeed, it is best to avoid discussion.

After the brainstorm session, it is a good idea to ask for members of each group to read out two or three ideas.
Filter 1: Value–effort grid

Purpose
To assess the value of each idea against the effort required to implement it in order to reduce the list of ideas to about a dozen to take through the next filter.

Preparation
This activity is best done in small groups of six to eight people seated around a table. Allow approximately 10–15 minutes to complete the maps plus 5 minutes for each small group to present their work.

What to do
1. Draw the value–effort grid on butcher’s paper or a whiteboard. Ask group members to draw their own grids.
2. In small groups, ask group members to rate the value of implementing the idea on the vertical axis; that is, how much it achieves the primary purpose. For example, how well does it address employment pathways for youth at risk and how sustainable could it be as a business? Do this for each idea.
3. Ask group members to rate the effort of implementing the idea on the horizontal axis. That is, what resources, time, money, political will, energy and so on are needed to get the enterprise started or to make it financially viable? Do this for each idea.
4. As a whole group, number the ideas or come up with a one-word descriptor in order to plot them neatly on the grid on the butcher’s paper or whiteboard.

With all other considerations being equal, you are looking for enterprise ideas that fall into the A quadrant. At first glance, an idea may fall outside the A quadrant, but with a little tweaking, may be more feasible while fulfilling the primary purpose. For example, you may be able to use volunteers rather than paid staff.

Discussion
- If there are more than five ideas in the A quadrant, which three to five ideas give the best value–effort ratio?
- If you have no ideas in the A quadrant, what can you do to make your idea(s) in the B quadrant easier to implement?
- If you have no ideas in the A quadrant, what can you do to make your idea(s) in the C quadrant more valuable?
Filter 2: Filter table

**Purpose**
To reduce the number of ideas to three to five to take to the Design stage.

**What to do**
1. Make photocopies of the filter table below, one for each idea that passed the value–effort filter.
2. For each enterprise idea, answer the questions on the table.

**Enterprise idea:**

<table>
<thead>
<tr>
<th>Filter questions</th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
<th>Can’t agree</th>
<th>Do some research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Would the enterprise be acceptable in your target community? That is, would the enterprise be endorsed by the community?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Would the enterprise be an exciting project for your group? That is, will you have the energy to pursue such an idea?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Would the enterprise meet the group’s agreed primary social purpose(s) as identified in the Discover stage?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Would you have, or could you access, the resources that such an enterprise would require to start up and maintain?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All of the enterprise ideas that received a NO to the questions above should be set aside (but not discarded) for the moment.

| 5 Would the enterprise affect the viability of an existing enterprise in the community? That is, would it produce unfair competition, compete in an already saturated market, etc.? |     |    |            |             |                 |

All of the enterprise ideas that received a YES to this question should be set aside (but not discarded) for the moment.
We wanted to find ways to create employment opportunities for people in the Bendigo area. We opened the Eaglehawk Recycle Shop to reduce waste to landfill and create jobs in our community.

Peter Cox, CEO, Future Employment Opportunities
Section 3A: Design and Decide

**Snapshot**

<table>
<thead>
<tr>
<th>Stage of development of the group</th>
<th>Third gear: Design and Decide, Part A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Working through a few potential ideas to see which seem most valuable to pursue</td>
</tr>
<tr>
<td>Possible structure</td>
<td>Meeting of interested stakeholders/working group</td>
</tr>
<tr>
<td>Possible members</td>
<td>People committed to developing the enterprise concept</td>
</tr>
<tr>
<td>Qualities needed in the group</td>
<td>Logical, expressive, clear-thinking, able to transform an idea into reality</td>
</tr>
</tbody>
</table>

This section is about turning enterprise ideas or ‘dreams’ into enterprise designs based on answers to practical questions that help you make an informed decision about which idea to select for a feasibility study.

**Checklist**

- Have you developed a handful of ideas that have passed the initial screening filters?

**What you will do in this section**

- Work through each enterprise idea and clarify among group members what structure the enterprise idea will take (the design).
- Identify what is needed at various stages of the community enterprise development process, consider the resources of your group to meet those needs and identify any gaps.
- Select the strongest design for a feasibility study.

**Worksheets**

3A:1 Designing your ideas
3A:2 Checking your capacity
3A:3 Ranking your ideas
Part A

It is difficult to separate the Design and Decide stages. Experience shows that there are at least two parts (or cycles) to the Design and Decide stage:

Part A: You agree as a group what each enterprise idea will look like (this is called a ‘design’). You then carry out a capacity check, and finally you rank your designs and decide which one to proceed with. You can think of Part A as a ‘pre-feasibility’ step.

Part B: You ‘flesh out’ the detail of the chosen design through a feasibility study. At the end of the feasibility study, your group should have enough information about the market, finances and risks associated with the proposed enterprise to decide whether it is feasible as you’ve designed it. You may decide to change gear and go back to the drawing board and adjust some aspects of the design before deciding to continue; or you may decide to carry out a feasibility study on one of the other high-ranking designs from Part A.

Who do you need?

You can keep the loose structure of the group you had for the Dream stage or create a more formal working group. This stage involves a series of meetings, the number of which depends on the number of ideas and the number of people in the group.

A working group requires some level of commitment from its members. You will need members of the group who had input in the Dream stage. The ideas that were developed are connected to the people who generated them, so it makes sense for at least a core group of participants to continue. Once the idea progresses into an operational enterprise, those involved in this stage will have a sense of ‘ownership’ and will provide the support to help ensure the enterprise’s success.

You may also want to take a closer look at your group’s membership to ensure that you have adequate diversity without too much overlap. In most communities, resources are stretched, so no one wants to sit in a meeting or be part of a process if they do not have something to contribute.

If at the end of the last section you identified that there were some people missing from your group, you may want to invite them to join now. You may also want to consider engaging people with skills specific to the Design and Decide stage, including business people who will feel confident with the business terms and may be able to lend their expertise in designing the enterprise.
As with the last section you will still need someone to:

- organise meetings
- facilitate meetings
- document outcomes of meetings.

If you developed rules for the group in the earlier sections, you may want to revisit or refine these, particularly if there are new members, or if you have chosen to formalise the structure, adopting an official working group.

Ask your group: Have you been happy with the level of community involvement to date? If so, how can this continue? If not, what can be done to improve participation?

Designing your ideas

At the Dream stage, the rule was ‘don’t think too much – just get the ideas down!’ In the Design and Decide stages, you need to become more realistic and practical. You generated a number of ideas, but each member of the group may have a slightly different mental picture of how the enterprise ideas will translate into an operating enterprise. You will need to add structure and content to your ideas by answering a number of key questions about them.

Completing Worksheet 3A:1 will help you prepare a 1–2 page summary for each idea. The questions on the worksheet do not require extensive research. There may be some questions that cannot be answered at this stage – that’s fine. At each subsequent stage (preparing the feasibility study in Part B of Section 3 and the business plan in Section 4), you will be adding detail and backing up your assumptions with research. At this stage, an educated guess is usually enough.

This is a good point to do Worksheet 3A:1

After completing Worksheet 3A:1 you should have a shared vision for each of the community enterprise ideas that your group is still considering. You may find that your group needs to return to this Design stage if things go off track or if you meet any dead-ends in your planning.

Through this design process, you may find that some of your ideas are eliminated because when you try to pull the dream down to earth, it no longer seems practical.
Deciding on one idea to design further

Your group must look carefully at what’s been presented so far, then make a considered evaluation of the strengths and weaknesses of the enterprise designs, as well as the capacity required to make each one come to life. This stage is fairly straightforward and requires some discussion and basic research. When you reach the next stage (Part B, the feasibility study) you will need to consider many of the points in more detail.

It is recommended you complete the remaining activities for Part A of the Design and Decide stage, even if your group only has one design. The activities may uncover some challenges in planning and implementing that you haven’t considered.

Capacity check

By completing Worksheet 3A:1, you considered the resources you would need to start up each of your enterprises: time, money, skills, equipment and infrastructure. Before you can evaluate these ideas against each other, have the group members consider the organisation, human resources, finance and infrastructure capacity that is currently available to your group. Use the resource map from the Discover stage as a starting point.

Also, don’t underestimate politics as a potential help or hindrance to your enterprise development.

Often at this early stage, gaining access to the people resources needed to plan, develop and implement your enterprise idea presents the most significant issue. For example, time needs to be dedicated to the feasibility study and business planning process. Who will be responsible for these tasks? How does this impact on other work your group may be undertaking? Are people going to be paid for undertaking these tasks? It’s worth dealing with these questions before you proceed.

At this point, you might decide you need access to some funds to support the planning and development processes. You may need to consider the following:

- Can the enterprise be established with the financial resources already available to your group?
- Does your group need to search for additional finance to start up?
- To what extent will financial support be needed, at what stage, and for what functions?

Ranking ideas

The challenge now is to select the most practical design that can be taken through to the next step – a feasibility study.

This is a good point to do Worksheet 3A:3

This is a good point to do Worksheet 3A:2
Preparing for Section 3B

- You will now have one idea that is most suitable to take to the next stage – the feasibility study.
- You will now have identified the basic organisational, human resources, financial and infrastructure resources you need to both plan and start up your community enterprise.
- You have considered the level of demand for your product/service in the community or communities you wish to serve.

It is now time to start Part B of the Design and Decide stage.
Worksheet 3A:1

Designing your ideas

Purpose
To work through each enterprise idea and clarify among group members what structure the enterprise idea will take. (This is the design aspect of Design and Decide.)

What to do
1. There are several ways you can approach this activity, depending on the number and complexity of your enterprise ideas, and the number of people in the group:
   - Have each group member consider one enterprise idea each, then compile or share responses and collate these on a master copy of the table on the next page of this worksheet.
   - In small groups, consider one enterprise idea, then report back and discuss the ideas as a whole group; then, collate responses on a master copy of the table.
   - Have members of the group take away one design each and answer the questions individually. Allow time to gather as much detail as possible. At the next meeting, have individuals present their responses and collate these on a master copy of the table.
2. Photocopy the appropriate number of tables and explain the procedure.
3. Document the groups’ or individuals’ responses in a 1–2 page treatment for each enterprise idea. It may help to draw or chart your ideas in addition to answering the questions on the table.

Note
- Regardless of how you proceed, it is important to come to some agreement as a group on the details of each enterprise idea that you collated from the tables. If you are doing rapid designs for a large number of ideas, or have split up into smaller design teams, it is advisable to produce a single-page schema (or model prototype) to go through with others who did not participate in the design itself. After this visual design, you can annotate the page with answers to some of the questions on page 39.
- It is also important to document each idea and make it available for all members to refer to.
- Make sure you allow enough time to discuss each idea while trying not to dwell on any of the questions too long. If you cannot answer a question, simply write ‘need more information’ and try to fill in the gap later.
## Enterprise idea:

### Enterprise overview

What product or service will the enterprise sell?
What will be the benefits of the enterprise to the community?
Does the enterprise fit the primary purpose the group identified in the Discover stage?
Which community groups will benefit from the community enterprise? Who will it serve?

### Market – supply and demand

Is there a need for the benefits? Is your product/service in demand?
Who are your target customers (individuals, businesses, organisations, specific demographic groups, specific industries)?
How will you let them know about the enterprise?
Who are your competitors?
Are there any networks, special contracts or other competitive advantages that can be used?

### Resources

**Human resources**
Who will the enterprise employ?
How many jobs will it create?
What skills will be required by those employed?

**Physical/infrastructure resources**
What kind of venue/space will the enterprise need (office, workshop, land)?
What equipment will the enterprise need?

**Financial resources**
What are the estimated start-up costs?
What are the estimated operating/ongoing costs (overheads, etc.)?
How much can you expect to charge for your product/service?
Will additional capital (subsidies from government, philanthropic or community sources) be needed to plan, start up and/or run the business? Is it available?

### Ownership and management

Who will be the legal owner of the enterprise?
Who will manage the enterprise?
Who else will need to be involved? Who could provide partnerships or expertise?

### Strengths and weaknesses

Describe the strengths and weaknesses of the enterprise (at least three or four of each).
Checking your capacity

**Purpose**
To identify what is needed at various stages of the community enterprise development process and to consider the ability of your group to meet those needs and identify any gaps.

**What to do**
1. Photocopy the table below and give each group member a copy.
2. Use the table to identify the organisational, human resources, infrastructure and capital requirements to establish your chosen enterprise.

**Enterprise idea:**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>What resources do you need? (Refer to Worksheet 3A:1)</th>
<th>What resources do you have?</th>
<th>What additional resources do you need?</th>
<th>How will you access these additional resources?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational/human resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the people and skills to plan the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the people and skills to start up and run the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the people and skills to manage the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical/infrastructure resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the infrastructure (facilities, building, space, equipment and technology) required by the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the money needed to plan the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have the money needed to start up and run the enterprise?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the group have access to money to cover any shortfalls, either temporary or ongoing?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Worksheet 3A:3

Ranking your ideas

Purpose
To select the strongest design for a feasibility study.

What to do
Based on research and discussion about each enterprise idea and the information you have about demand and capacity, score each of your enterprise designs. You may want to review previous worksheets.

Use the score to decide which of your designs is strongest (the one with the highest total). Put the lowest-scoring ideas aside for now. You may want to revisit them later if you decide to start up more than one enterprise or if your initial idea turns out not to be feasible.

1 Fill out the table below in small groups or individually for each enterprise idea.
2 Share responses and reach consensus on the answers for each enterprise. Brainstorm strategies for improving scores where low.
3 Tally final scores. Are you happy with the decision? If not, discuss the idea further and choose one idea to take to the feasibility stage.

Enterprise idea: ___________________________

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 High</th>
</tr>
</thead>
<tbody>
<tr>
<td>The enterprise idea fits with our primary purpose.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There will be a demand for the product/service in the marketplace.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have the skills and time needed to implement the enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have or can gain access to the infrastructure necessary to run the enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have or can gain access to the finance necessary to plan the enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have or can gain access to the finance necessary to start up the enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The social return delivered by the enterprise warrants proceeding.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued on page 42
Discussion

- There is not a score that guarantees your enterprise will work. This activity simply helps you identify which design looks most promising based on the unique context of your community. However, if your enterprise design scored only 1 or 2 for all questions, it is probably not worth taking to the next stage unless you can make changes that increase the score.

- If a design scored 1 or 2 for a couple of points, but 4 or 5 on the rest, don’t eliminate it completely. Think about whether a low score is a ‘make-or-break’ issue or whether you can draw upon outside resources to make up for an area of weakness. For example, the group may have little capacity to plan the enterprise, but if you have access to funding, you may be able to hire an expert to increase the capacity of your group.

- Finally, while the aim of the activity is to eliminate any designs that are not practical for your group, you may choose to conduct a feasibility study at a later stage for an idea that did not initially rank the highest.
An idea may sound great at first, but it’s only after doing a feasibility study that you truly know if a good idea is workable.

Mark Daniels, Community Enterprise Development Manager, Brotherhood of St Laurence
Section 3B: Design and Decide

Snapshot

<table>
<thead>
<tr>
<th>Stage of development of the group</th>
<th>Third gear: Design and Decide, Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Feasibility study</td>
</tr>
<tr>
<td></td>
<td>Decide whether to stop/go/redesign</td>
</tr>
<tr>
<td>Possible structure</td>
<td>Working group/advisory committee</td>
</tr>
<tr>
<td>Possible members</td>
<td>Key stakeholders who are likely to have a role in the enterprise</td>
</tr>
<tr>
<td>Qualities needed in the group</td>
<td>Analytical, practical, decisive, realistic, sceptical</td>
</tr>
</tbody>
</table>

This section is about preparing a feasibility study for the enterprise idea you chose in Section 3A and deciding whether to take it to the next stage: preparing a business plan (Section 4).

Checklist

- Have you chosen a single enterprise idea to prepare a feasibility study for?

What you will do in this section

- Agree on the members and tasks of a working group.
- Consider ownership of the enterprise.
- Appoint individuals and allocate tasks for the preparation of the feasibility study.
- Set the terms of reference.
- Carry out the stages of the feasibility study.
- Document your findings in a feasibility study.
- Decide whether to proceed with the enterprise idea.

Worksheets

| 3B:1   | Setting the terms of reference |
| 3B:2   | Deciding how your feasibility study will be completed |
| 3B:3   | Social purpose screening       |
| 3B:4   | Infrastructure and equipment   |
| 3B:5   | Human resources                |
| 3B:6   | Funding                        |
| 3B:7   | Market environment             |
| 3B:8   | Potential customers            |
| 3B:9   | Customer survey                |
| 3B:10  | Competition                    |
| 3B:11  | Start-up costs                 |
| 3B:12  | Cost of goods sold             |
| 3B:13  | Operating costs                |
| 3B:14  | Chargeable hours               |
| 3B:15  | Break-even point               |
| 3B:16  | Estimating your sales targets  |
| 3B:17  | Balloons and stones            |
| 3B:18  | Making your decision          |
Part B

In this part of Design and Decide, you will prepare a feasibility study for the enterprise idea you chose in Part A. A feasibility study requires extensive research. It is often at this point that you will need to allocate more resources (human and financial), so you need to be fairly confident that this is the direction you want to go in.

At the end of the feasibility study, your group should have enough information on the market, finances and risks associated with the concept to decide whether it is feasible as you’ve designed it. Remember: you can go back to the drawing board and adjust some aspects of the design before you continue, or you may decide to carry out a feasibility study on one of the other high-ranking designs from Part A.

The business plan that you write in Section 4, Do, will draw heavily on the information that you develop during the feasibility study, but will require more research and evidence to support any assumptions that you made in the Design stage.

As you move into the feasibility stage, you will be changing gears: greater investment in both time and money is now inevitable.

Ownership and leadership

At this point you may decide that your enterprise needs an organisation to ‘own’ the process and potentially become the long-term auspice for the enterprise. If this is the case, the identified organisation may take more of a hands-on role and drive the development of the feasibility study and business plan. If a managing organisation has not been identified or is not appropriate, and you have decided to start an independent entity for your enterprise, some thought needs to be given to how your enterprise might look and who might be involved. (See ‘Choosing a legal structure’ in Section 4, Do.)

The community’s role

If the community is not involved directly in writing the feasibility study, community members should still be involved in providing input. Some community members may wish to be directly involved in preparing the feasibility study. Once the report has been written, it should be presented to the working group or advisory committee, and shared more widely before the decision to continue is made.
Who do you need?

With greater investment comes the need for greater commitment from your group. If you have not already done so, you will certainly need to consider formalising the structure into a working group to support the preparation of the feasibility study. The feasibility study may be prepared by someone (or some people) within the group or by an outside consultant, or a combination of the two.

In addition to having someone to organise and facilitate meetings and document outcomes, you could include other roles relating directly to the feasibility study. Members of the group with finance, legal, project management or other business skills will be able to make a real contribution. If the group does not have these skills, you will need to access them through a contractor or volunteer.

The feasibility study will need to be managed closely, and the person or people preparing the feasibility study will need someone to run ideas past, to read drafts and comment on progress. The working group or advisory committee will also play a key role in drafting the terms of reference for the work that needs to be done, selecting someone to do it, and arranging payment if necessary.

Working together as a committee

Preparing a feasibility study is a critical point in the evolution of your group and enterprise. Before proceeding, it’s important to be certain that you have identified effective ways of working together.

The time it takes to establish a community enterprise varies from community to community and from project to project. It can take anywhere from a few months to a number of years. Like any new business, the enterprise will take some time to become well established and sustainable. It is therefore likely that any group setting out to establish a community enterprise will be working together for at least a couple of years.

During that period of time, your group is likely to change. As your enterprise idea takes shape, different skills, people with new knowledge and other interests will be needed to take your enterprise to the next stage of its development.

Establishing ways to work together as a group is an important foundation for a successful community enterprise and will:

- allow you to address different functions, tasks, roles and projects associated with initiating your enterprise
- clarify group members’ rights and responsibilities
- provide clear guidelines for making decisions and taking action
- make use of the diverse skills, interests and relationships brought to the group by different members
- help to manage conflict
- provide new and potential group members with the information necessary to participate effectively.
Setting the terms of reference for your group

Groups evolve, members come and go, and objectives and situations change. Establishing a framework within which your group operates can help ensure your community enterprise weathers the changes. The main issues to think about when establishing how to work together are:

- purpose and structure of the group
- roles and responsibilities
- membership of the group
- the decision-making process.

Purpose and structure of the group

In previous sections, you agreed why you were working together, what you wanted to achieve and the structure governing the group. Revisit these decisions as part of clarifying the terms of reference.

Roles and responsibilities

What are the roles that need to be performed in the group? Roles include task-oriented roles related to the project and process-oriented roles related to the ongoing functioning of the group. Task-oriented roles are often allocated to individuals or small working groups that have particular skills and interests in aspects of the project. Process-oriented roles (such as chairing meetings, taking minutes, etc.) may be taken on by individuals for the duration of the feasibility study or may be shared over time.

Membership of the group

A feature of working successfully as a group is the ability to adapt and include new members over time. To work effectively, a group must be stable but have room to change and evolve. Developing a balance between experienced members (for continuity) and new members (to help facilitate change and growth) can help ensure sustainability.

The decision-making process

Some groups operate happily without written rules. Usually, these are tight-knit groups that have a long history of working together successfully. They tend to have a lot of unwritten rules! Having some agreed rules or guidelines can, however, help the group get things done, and can be helpful for new group members. These might include agreed ways of making decisions, guidelines about attending meetings and following through on actions, and guidelines about the rights and responsibilities of group members. The nature and extent of rules that you develop depends on your group’s composition and your project objectives.

Formally constituted groups have legal obligations. This is discussed in Section 4.

Some organisations or groups prefer consensus-based decision making, while others use the ‘majority rules’ approach. Some groups will use a combination of the two, depending on the seriousness of the decision, the extent of divided opinion and the requirements of their constitution or formal agreement.

Consensus decision making is not about everyone having to agree on everything all the time. It is about all parties being able to live with (not necessarily agree with) the group decision.
Conflict can be a by-product of developing a community enterprise; the group should be aware of this eventuality. Resolution of conflict balances the end goals with mutual respect in the decision-making process.

**Hint**

A common strategy in conflict resolution is to be ‘hard on the problem and soft on the person’. This means working through issues raised, rather than challenging or questioning the individual who raises the issue.

**This is a good point to do Worksheet 3B:1**

By answering the questions on Worksheet 3B:1, your group will develop a set of guidelines or terms of reference for the way the group carries out the business of establishing a community enterprise. These may evolve over time and you will need to reflect changes in the terms of reference document you draw up. This terms of reference document does not have to be lengthy or complicated – it could easily fit on one page.

---

**Designing a feasibility study**

A feasibility study is probably the most important stage of the community enterprise development process because it allows you to check that the enterprise idea has the capacity to work, and to identify any ‘make-or-break’ issues; that is, issues that would prevent your enterprise from being successful. In other words, a feasibility study shows whether your enterprise idea makes good business and social sense.

A thorough feasibility study provides a lot of information necessary for the design of your future business plan, which we will explore in Section 4, *Do*.

Since putting together a business plan requires a significant investment of time and money, you need to make sure that there are no major ‘roadblocks’ facing your enterprise before you make that investment.

Identifying such roadblocks is the purpose of a feasibility study.

A feasibility study tests many of the assumptions you made in Part A:

1. **Resources**: What resources will be required and does your group have access to them?
2. **Market**: Is there a market for your product or service?
3. **Finances**: What are the costs associated with the enterprise and will it generate enough revenue to adequately cover them?

The end product is a clear, concise feasibility study which highlights the advantages and disadvantages associated with your enterprise idea and covers major issues such as costs and projected revenues. A basic break-even analysis will tell you how much revenue would be necessary to meet your operating expenses.
Conducting a feasibility study

In many ways, a feasibility study can be treated as a mini-project, its outcome being a decision on how the larger project should be managed.

A full feasibility study for a community enterprise is conducted in seven stages.

Stage 1: Describe your business
Stage 2: Outline the social purpose
Stage 3: Assess resource requirements
Stage 4: Analyse the market
Stage 5: Analyse your financial position
Stage 6: Establish key success and risk factors
Stage 7: Make your decision

The purpose of the feasibility study is to help your group come to a decision about the viability of its design and its suitability to the community’s needs. A feasibility study may also be helpful if you intend to seek additional finance to support the start-up of your enterprise.

You may feel disappointed if your feasibility study raises some red flags. However, in many ways, realising that a project is not feasible is a great outcome. You will be alerted to some of the dangers early, before making a large investment of time and money. This will give your group the opportunity to adjust your plan or consider other ideas you generated in Section 3A.

Ideally, your community group would carry out the study themselves, with professional assistance as required. In practice, however, the group may not have the time or skills to do this and may require a consultant or a project worker to do the bulk of the work. In this case, the group should retain a strong role throughout the study through membership of a working group or advisory committee and regular liaison with consultants or workers. It is important to ensure that the study stays within the community group’s control.

Before you work through Worksheet 3B:2, watch two case studies on the DVD: Yackandandah Community Development Company Ltd and Eaglehawk Recycle Shop.

This is a good point to do Worksheet 3B:2

The actual written document can be as concise or extensive as you need. Usually it will be 10–20 pages. It should follow the seven stages listed earlier and include an executive summary. More appropriate names for these sections include:

- Executive summary
- Business description
- Social purpose
- Resource requirements
- Market analysis
- Financial analysis
- Risk analysis.

Hint

A number of government and philanthropic organisations support community enterprises and may fund the community enterprise development process. Philanthropy Australia and <www.ourcommunity.com.au> can refer you to useful trusts and foundations. There is also a range of resources that can provide access to pro bono services including Seek Volunteers, goodcompany and the Volunteer Resource Centre.
You’ve already done some of the work required for the feasibility study in the last Design stage. It’s OK to cut and paste some of that work into this document, but be aware that there will be a much greater level of detail and research required at this stage than in the first design process.

Visit an enterprise

If you haven’t already done so, now might be a good time to visit a few similar enterprises. Visit enterprises that sell the same or similar products, or other community enterprises that have similar social objectives, even if the business activity differs from yours. By visiting other community enterprises and businesses, you will begin to learn how they operate on a day-to-day basis. This knowledge is critical in completing a feasibility study. It will help you to develop the production or service delivery model and determine its application in the context of your community enterprise.

Stage 1: Describe your business

In the feasibility study, you will want to describe the enterprise idea in a way that someone who knows nothing about the industry or community enterprise would understand – one to two pages will be enough. You might want to include:

- **Background:** How did you get to this point? Where did the idea come from? Why is it important?
- **Business proposition:** What is the business going to sell? Where and how?
- **Aims of the business:** What are the aims of the enterprise, both socially and economically?
- **Who’s involved?** Who is undertaking the work?

Build on the work that you did in Section 3A to paint a succinct picture of your business activities for your reader.
Stage 2: Outline the social purpose

It’s important to revisit the primary purpose you agreed on in Section 1 and clearly document this in your feasibility study.

- How does your community enterprise idea address your social purpose? Can you quantify the impact or project the potential impact (for example, the number of jobs created or the years of life extended on landfill)?
- How will you social purpose impact on your community enterprise operationally? Will you need to modify your:
  - staffing
  - management/supervision
  - location
  - hours
  - equipment.
- How will your social purpose impact on your community enterprise market? Will you have access to niche markets based on your social purpose?
- How will your social purpose impact on your community enterprise financially? Will your enterprise have:
  - lower productivity
  - higher costs
  - specialised equipment
  - access to government or philanthropic funds based on your social purpose?

This step is about articulating how the primary social purpose is addressed through the enterprise and how this can be built into the marketing and finance sections of the feasibility study. It is also about projecting social outcomes and describing how the enterprise will impact on a particular community. Number and type of jobs created, networks built or lives impacted on are all things that could be identified here.

Stage 3: Assess resource requirements

Some of the resource requirements that your feasibility study should outline are:

- infrastructure/equipment
- human resources
- financial.

Ask yourselves: What do we have access to? What do we need access to? Do we need additional funding to obtain these resources?

**Infrastructure and equipment**

You will look at these requirements in more detail in the finance section, but it is helpful to brainstorm what your requirements will be.

The cost and availability of equipment may be critical to the feasibility of a project, or it may not be an issue at all. This depends on the type of enterprise you want to start. For example, a service organisation will have few equipment and other technology-related issues to address. A manufacturing enterprise, on the other hand, may have a number of complex technology questions to analyse in order to determine whether or not the business is feasible.

Keep in mind that technology doesn’t necessarily mean complex machinery; if your business simply needs a personal computer, printer and fax machine, those are your equipment needs. However, making simple purchases such as office machines may require some research.
Naturally, the more complex the infrastructure and equipment you need, the more research you will require to make good decisions about it. Add your cost estimates into your financial projections.

In Section 1, Discover, you identified a range of assets in your community that might be useful. The feasibility study is the stage where you seek confirmation about the availability of these assets and costs attached to accessing them. For example, can you use the derelict council depot for your maintenance business, and on what terms? If possible, get a written agreement. If you can’t access these local assets, what will be the impact? Are there other comparable resources you could access, and how much will they cost?

**Hint**

*Check consumer reports for recommendations, do some comparative shopping, and ask acquaintances about their experiences with different companies. Second-hand equipment in good condition may be sufficient. Try the Trading Post or visit your local ex-government supplies outlets.*

*Alternatively, leasing might be a way of accessing necessary equipment to ease cash-flow issues.*

**Human resources**

Once you reach the business planning section, you will need to begin compiling job descriptions and detailing who will fill what roles. At this stage, you will need to think about what type of person or people will complete particular tasks. For example, will the workers in your enterprise be paid or unpaid, permanent or temporary, trainees or ongoing staff?

You may want to think broadly about human resource issues that would influence the feasibility of your enterprise. Other issues that might influence your enterprise feasibility include:

- Will your staff be paid or volunteers, or a combination?
- Are there positions unique to your enterprise that a mainstream business might not have (a case worker or community development worker, for example)?
- Will your staff be skilled or unskilled?
- If labour is unskilled, how will you ensure quality (high levels of supervision, mentorships, training)?
- Will the positions be temporary (short term, 12 months) or ongoing?
- Will you use trainees or apprentices? If so, how might these decisions impact on your feasibility (financial, timeframe, training requirements)?

*This is a good point to do Worksheet 3B:5*
Funding and finance

Throughout the development of your enterprise, you will have different funding and finance needs. While the aim of most community enterprises is to be self-sustaining (that is, the revenue from the business will cover the costs of the enterprise), most will need some funding for start-up and to cover any gaps in the first year (or maybe longer).

Think about the funding and finance issues that could influence the feasibility of your enterprise. You will do more work on this in the finance section, but start the thinking now in order to flag potential issues. Consider the following questions:

- How will you pay for any planning expenses (paid consultants, legal advice, fees, permits, even books or subscriptions)?
- Does your enterprise require the purchase of a building or other asset? If so, how do you plan to finance its purchase?
- Based on your assessment of infrastructure and equipment, how will you cover your start-up costs?
- How will you cover operating expenses before the business breaks even or is generating a profit?
- If you are applying for a grant, what are your back-up plans in case the money does not come through?
- If you have a financial emergency (can’t make payroll), do you have any reserves to tap into or would you have to close the enterprise?

Stage 4: Analyse the market

The objective of market research is to gauge potential demand for your product or service, as well as developing a more in-depth understanding of the market as a whole. The information you gather will impact on the design of your enterprise idea and the product/service it delivers.

This section will guide you through the following research areas:

- Market environment
  - How big is the market?
  - Is the market growing or shrinking?
  - Are the barriers to entry high or low?
  - What are some of the overall trends in the market?
- Customers
  - How many people purchase the product/service that you plan to sell?
  - Which customers (or market segments) will you target for sales?
  - What are the characteristics of the customers in your target market?
  - How much of your product/service is each market segment likely to purchase?
  - What factors would influence your customers’ purchasing decisions?
- Competition
  - Who are your competitors?
  - How many primary and secondary competitors are in your market area?
  - What is unique about your idea compared to your competitors’ business?
  - Are there opportunities to develop a competitive advantage?

Based on your answers to the questions regarding your enterprise’s infrastructure, human resource and funding requirements (Worksheets 3B:4, 3B:5 and 3B:6), summarise your findings in a few paragraphs for the body of your feasibility study.
Conducting market research

Now that you know what the questions are, how do you answer them? This section will explain some of the techniques used to conduct the market research you need to be able to progress with your feasibility study.

Don’t think of market research as highly sophisticated, expensive and complicated. Market research involves activities designed to obtain data about the market, and falls into two main categories:

- primary research (original data that you collect yourself)
- secondary research (published data that you obtain from an existing source, for example, census data)

At the feasibility stage, you will probably focus on secondary research that is readily available. Primary research can be costly to obtain in terms of time and money. Where primary research methods are suggested in this section, you will need to be realistic about how to do this and how extensive it needs to be. Don’t let the fact that you didn’t speak to everyone in the neighbourhood get you down, just make sure you get adequate diversity in the sample that you select, so that your results are not too biased.

Primary research

You can collect primary information by:

- conducting surveys of potential customers over the phone, in person, by email (see <www.surveymonkey.com>)
- talking to a sample of people in the neighbourhood where your enterprise will be located
- talking to your local council (including the economic development officer)
- networking with other community enterprises
- interviewing friends and colleagues
- looking for ‘best practice’ examples overseas, interstate, regional and local (phoning, emailing, visiting them)
- contacting local business networks (for example, chambers of commerce) and local community organisation networks
- talking to small business experts such as a small business resource centre
- talking with competitors or ‘like’ businesses at events, conferences, etc.

Secondary sources

The secondary information available will depend on the industry and customer base identified for your enterprise. A lot of the information you need is available to the public, from government statistics, databases, the Yellow Pages, and the Internet. Many public libraries have access to the Internet, if you don’t. A lot of information exists out there; the best place to start is your local library. Talk to the research librarian if there is one.

Figures can be obtained for average sales in many industries (except for entirely new products). For example, if you plan to open a shop, you can find out the annual sales and lots of other financial information about retail stores. This information can be a useful starting place for your sales estimates. Use data with some caution, however, as your sales will probably initially fall below those of more established businesses.

You can collect secondary information by reading:

- trade journals, trade associations
- industry databases such as IBIS World
- government reports on the business environment
- economic development reports
- competitors’ literature, including websites, price lists, newspapers.

The Australian Bureau of Statistics (ABS) collects a wide range of local, regional, state and national statistics on, for example:

- population and housing
- building approvals
- business performance and trends
- retail and household expenditure.
ABS data can be critical in understanding the industry you are moving into and the market that your future customers will come from. Some ABS data can be downloaded free of charge from the website <www.abs.gov.au>.

Federal government departments undertake research and document information about employment in industry areas and skills demands and shortages. This is broken into regional and local areas. Some useful information is available on the Department of Employment and Workplace Relations site at <www.workplace.gov.au> – follow the links.

There is a national or regional association for almost every industry. Your public library may have a directory of associations in which you can look up the appropriate industry group. These groups are often a wealth of information, some of it free. Call them and explain that you are considering going into this field, and ask for any information they may have available. If possible, get their membership list. The members of the association are doing exactly what you want to do, and many of them will be glad to talk to you. If you have to join the association, in order to get their information, do so. It could be the best money you ever spent.

The Victorian Department of Sustainability and Environment has information on communities through the ‘Know Your Area’ database located at <www.doi.vic.gov.au/knowyourarea>. Local government often holds similar local economic and industry data on their sites.

In addition to conducting research, it is valid to rely on your own observations, especially about a community or communities in which you are actively involved. No one knows a community like the people who participate in it. However, it is important to back up your opinions with data and research. Don’t rely solely on your gut feelings; they’re probably not enough to go to the bank with!

**Hint**

In interpreting data, be careful not to misinterpret statistics – you will need to have a solid understanding of your data and of the context that your community enterprise will operate in. If you find data that does not seem to be realistic, then check it before using it as evidence for action in your business. Focus your research and interpretation on what you need to know. Resist the temptation to only look for data that confirms your opinions.

**Market environment**

Collecting information on the broader industry and other market information will help you paint a picture around your enterprise idea. This information can provide (among other things) trend analysis, key success and risk factors, barriers to entry and other information which may impact on the establishment or development of the enterprise. This information will also be used in the market environment section of your business plan.

Use mainly secondary sources of information and data (such as IBIS, which can usually be accessed through your local small business centre) to collect market information related to your enterprise when you fill in the table on Worksheet 3:B7.

Even if you have decided to sell your product or service only in a small geographic area, knowing what is happening across the whole industry will help you determine what to expect for your community enterprise.

Here is an example illustrating the kind of information you might be looking for if you were starting a landscape gardening business.
Table 3.1: Example – Overview of the landscaping/gardening industry

The gardening/landscaping industry in Australia has 8834 registered business enterprises. This represents an average of one enterprise for every 2265 residents.

Markets for Australian landscaping businesses are associated with:

- new housing construction 30%
- non-residential buildings (i.e. commercial, recreational, public) 30%
- roads and industrial sites 10%
- public access areas 10%
- flats and apartments 10%
- alterations and additions to buildings 10%

Markets for Australian gardening businesses are:

- lawn mowing 50%
- other gardening 50%
  of which:
  - households 55%
  - business 25%
  - government 20%

The gardening/landscaping sector is growing, and is expected to continue to grow as a consequence of the following:

- Australia’s ageing population driven by the ‘baby boomer’ generation entering retirement age
- expanding representation in the sector by franchises
- increased outsourcing of both landscaping and gardening services by businesses and households
- increasing numbers of time-poor, income-wealthy households, and those households with limited time due to double-wage earners.

Key customers for the gardening sector are:

- people with physical disabilities
- elderly people
- people in upper socioeconomic sectors.

The average household spends $55 per year on gardening services, while households in the lowest 20% of incomes spend an average of $30 per year on gardening services.

Barriers to entry for the gardening/landscaping sector are relatively low. This is directly related to:

- the low capital equipment costs
- few formal training requirements
- limited office and administration requirements
- easy business licensing and approvals.

Used with permission from Street Ryan and Associates
Be aware that information can quickly become out of date. While this information was posted on the Internet in 2006, Australia was also in the midst of a drought. In 2007, people started changing their lawns and there is significant discussion in industry journals about the imminent reduction in lawn maintenance as gardens die off and the increase in low- or no-maintenance gardens. Make sure you obtain data from a range of sources and that it is current. The information will help you identify potential niches in the market by identifying trends. For example, in the face of drought, you might choose to specialise in installing rock gardens or gardens that are water-efficient.

This is a good point to do Worksheet 3B:7

This activity may not seem relevant to your enterprise idea as it may sit outside of the mainstream market, like a fruit and vegetable cooperative in a small neighbourhood. It is still good to understand overall market patterns in the produce industry.

Customers

Identifying your target market allows you to focus your efforts on marketing to a distinct group of customers. This is called market segmentation – dividing a large potential market into smaller groups, which are more easily approached.

One of the advantages of targeting a particular niche is the ability to respond quickly when customer tastes and needs change. In order to serve your customers, you have to know who they are, where they live, and what their behavioural characteristics are.

Describe your target market in terms of:

- geographic characteristics (Do your customers live primarily in a certain area?)
- demographic characteristics (age, sex, family status, education, income, class, occupation, education; and, if relevant, religion and ethnicity)
- psychographic characteristics (lifestyle, personality types, attitudes, interests and buying motives).

You may have different customers for different products/services that you provide. Or you may find that there are several distinct types of customers that you are targeting with the same product/service. For example, a fishing rod manufacturer might identify serious anglers in the following target market segments:

- school teachers in the local area
- holiday-makers and visitors to the area
- semi-retired or retired people in the area.

For each segment of the market that you are trying to reach, you need to collect data and be able to describe the typical customer. This will help you design your product/service, determine how it will best be promoted and distributed and establish a pricing strategy.

This is a good point to do Worksheet 3B:8

Depending on factors specific to your resources, your idea, your group and your community, how you go about asking these questions will vary. The options available include:

- surveys (face to face, door knocking, on the street, by telephone, postal)
- focus groups (friends or randomly selected)

The work can be done by:

- members of your group
- paying a consultancy group
- arranging to work with students.
Once you have collected this information you also need to know things like the expenditure patterns (how much and how often) of the target market in relation to your type of enterprise. For example, how much do these potential customers spend every week, every month, every year on garden services or fishing rods? Is there a variation according to income levels, age or address?

To understand these (and other patterns of behaviour) relevant to your particular enterprise, you will need to actually ask some potential customers. Essentially, what you are hoping to establish is whether the information gathered from secondary sources is supported with information gathered from primary sources.

This is a good point to do Worksheet 3B:9

After you have collected both secondary and primary data on your potential customers, you should be able to answer the following questions:

- How many people purchase the product/service that you plan to sell?
- Which customers (or market segments) will be your main business target?
- How much of your product/service is each market segment likely to purchase?
- What are the factors that would influence your potential customers to buy from your enterprise?

**Competition**

It is important to identify and understand your competitors, including those providing the same (primary competition) or similar (secondary competition) product/service. This can be a great source of ideas – including uncovering market niches. Most of this will be primary research.

You can get this information by:

- using your networks to obtain feedback on competitor products or services
- actually getting out and visiting businesses
- trying out the competition yourself
- talking to competitors, though this might seem difficult and does need to be undertaken sensitively.

Many people will be happy to speak to you about their business, especially other community enterprises. Consider joining a business network – people will be expecting to share information about their business, and the networking events can give you a less confrontational forum for getting the information you need to make informed business decisions.

When you have your information write an assessment of your competitors’ strengths and weaknesses; and how your product/service compares. Is there an opportunity to complement another product in the market or find a distinct niche?

Present your interpretations of the customer research (positive and negative) on your enterprise idea in a way that is understandable to everyone in your group (including those who may not have participated intensively in identifying and interpreting the information). You may find charts or graphs assist in this (Microsoft Excel is a useful program for displaying and analysing data). This information will be used in the customer section of your feasibility study.

This is a good point to do Worksheet 3B:10
Stage 5: Analyse your financial position

One of the most important things to consider when planning your community enterprise is whether or not it will be financially viable. Even though the social or environmental objectives of your enterprise may be more important than your financial objectives, enterprises seek to at least stay cost neutral; that is, revenues cover all expenses. If you would like your enterprise to continue to grow and employ more people, you will need to do more than break even; you will need to generate a surplus or a profit. Without this excess, you will need to rely on contributions from the government, an auspice organisation or another source to sustain the enterprise.

This section looks at the basic financial information you need in order to judge whether or not the revenue generated through the sale of your products/services will be enough to sustain the community enterprise over a reasonable period of time. Depending on the type and scale of the enterprise, it may break even right away or it may take 12 months or more. You will need to decide what is a reasonable timeframe and how long you can sustain a loss. In this section we examine:

- **Costs**: You will look at both start-up costs (the costs incurred in starting up a new business, including legal and accounting fees, branding and other start-up advertising/promotional costs and capital costs such as land, buildings, equipment and IT infrastructure) as well as ongoing operating costs, such as rent, utilities and wages that are incurred in the everyday operation of a business. Many of these costs were identified in Stage 3.

- **Revenue**: How will you price your goods or services? How many sales do you think you will make each month of your first year of operations? Given your projected costs and revenue, will you be able to sell enough to cover your costs?

- **Financial analysis**: Using a break-even analysis and other financial tools, you will begin to make sense of the numbers and decide how financially viable your proposed enterprise is.

- **Funding**: Are there gaps between your costs and revenue? You may need to explore funding or finance options to close the gap.

All of the financial information that you will be asked to provide in this section should be supported by your market research.

**Start-up costs**

Every business will have costs before it begins trading. Estimating start-up costs and how your business might cover them is a critical step in testing the feasibility of the enterprise idea.

**Fixed assets**

For most businesses, the greatest start-up costs will be the purchase of fixed assets. Fixed assets or property, plant and equipment, include things like your physical space and the equipment in it, vehicles, and other items that you purchase (as opposed to lease). Fixed assets come in both tangible and intangible forms.

Tangible assets include things like tables and chairs or other physical equipment.
Intangible assets include things like patents, trademarks, registration and goodwill. Goodwill is generally applicable when a business is purchased, as you are also buying the ‘brand’ and intellectual capital that has been established over time.

Any significant piece of equipment will have a ‘useful life’ and eventually need to be replaced. Depreciation allows a business to expense the cost of a tangible asset over its useful life. It has tax implications; therefore, you should seek assistance when calculating depreciation on any particular item.

For the sake of planning, you can use a very basic formula. For example, if you bought a $5000 piece of equipment that has a five-year useful life (and would be worth $0 after five years), you would depreciate (expense) $1000 per year to account for the lost value of that equipment. A basic planning formula for depreciation is:

\[
\text{annual depreciation} = \frac{\text{purchase cost}}{\text{useful life}}
\]

The cost of depreciation is an expense and should be accounted for monthly. (Seek advice for tax purposes.)

Other start-up costs

Not all of your start-up costs will be major equipment purchases. You will also need to consider planning costs, staff that you might need prior to start-up, initial supplies and inventory, business cards and initial marketing materials (including a website if you are using one) and any permits, licences and other requirements. Some start-up costs may be ongoing costs – the difference is that the expense is incurred before start-up. Many start-up costs (initial utilities, for example) will be recurring and may be accounted for as overheads or fixed costs once the enterprise is up and running.

**Hint**

It is recommended that goods and services tax (GST) is excluded from any expense or revenue calculation as GST represents amounts due to or from the Australian Tax Office (ATO) and do not directly impact on profit or loss.

This is a good point to do Worksheet 3B:11
Cost of sales

As part of your analysis for operating costs, calculating your cost of goods sold (COS) will tell you the amount that it costs the enterprise per product/service that goes to market.

COS takes into account both the goods (raw materials, ingredients) as well as the labour directly associated with taking the product/service to market. Think of what it took for your enterprise to add value to the raw materials – this is COS.

COS information can be obtained from other similar businesses, industry associations, IBIS and your own estimates.

Table 3.2: Example – Calculating COS for a landscaping/gardening enterprise

Cost of sales – Lawn mowing

<table>
<thead>
<tr>
<th>Direct costs</th>
<th>Item</th>
<th>Cost</th>
<th>No. units/item</th>
<th>Cost/unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>Petrol for lawnmower</td>
<td>$15/tank</td>
<td>5 mows/tank</td>
<td>$3.00</td>
</tr>
<tr>
<td>Labour</td>
<td>1 staff</td>
<td>$12/hour</td>
<td>1 mow/hour</td>
<td>$12.00</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>Transportation</td>
<td>Petrol for vehicle</td>
<td>$60/tank</td>
<td>20 trips/tank</td>
</tr>
</tbody>
</table>

Cost of sales $18.00

This is a good point to do Worksheet 3B:12

Other operating costs

Other operating costs are the costs your business will incur once it has started trading that do not relate directly to the production of goods or delivery of services. These can be categorised as:

- fixed costs (which are constant despite sales volume)
- variable costs (which will vary in direct proportion to the level of sales).
Fixed costs
These are costs that the business incurs regardless of the level of sales. Fixed costs are generally indirect costs; they don’t directly relate to the product/service that the enterprise is delivering. They are often referred to as overheads. Fixed costs include rent, vehicle or equipment leases, management and administration staff, and other regular expenses.
With dramatic growth or variation in your enterprise, fixed costs can vary; however, costs that will not vary significantly due to sales should be counted as fixed. Some items may have a fixed and variable element, such as staff and electricity.

Variable costs
These are costs that fluctuate according to the level of sales activity or production but have not been included with cost of sales.
Variable costs may include advertising, distribution and some forms of utilities (for example, in a welding workshop, electricity costs will rise as the level of welding increases).

Accounting for staff
Staffing costs are often one of the most significant costs in a business. Depending on what kind of business you run, these costs will be accounted for differently.

If you employ staff on a salary or ongoing basis (they get paid regardless of sales volume), their wages are considered a fixed cost and will be counted as overhead (particularly management, administration, cleaning and other staff that are ‘behind the scenes’).

If you employ staff casually (for example, they only work when there is a job to do), then you account for their wages as a variable cost – it is one of the direct costs involved in providing the service and will increase as sales increase.

Don’t forget that when accounting for staff wages there are a number of associated on-costs, such as superannuation, workcover, fringe benefits tax and staff training. These on-costs should be accounted for on a consistent basis with the associated wages/salaries.
Revenue

As a community enterprise, you will probably have a number of revenue streams including sales revenue and possibly revenue from grants, wage subsidies or other sources. This part of the feasibility study works through how to set your price, calculate your break-even point and project sales for your first year of business and beyond. You will also need to consider additional funding or finance for your enterprise.

Setting your selling price

Your market research will have indicated whether there is a market for your product/service and what the current market price is for similar products/services. From this, and your COS or chargeable hours calculation, you will be able to determine your price. Consider the following questions to help your enterprise establish a pricing structure:

- What is the competition charging? If you choose a price below your competition, how will you ensure that the lower price will not indicate lower quality to your customers? Remember, lower is not always better – unless that is driving your customers’ purchasing decision.
- What is your competitive advantage? People will often pay more if they can see that a product/service is better or unique in some way. This may relate to quality, packaging, convenience or branding. In the case of community enterprises, it can also relate to social and/or environmental impacts.
- Does your price cover all the operating costs and include a profit margin?
- Will your customers pay what you are charging? Sometimes people say they will pay a certain price, but when push comes to shove, their wallet stays tucked away.
- Will you charge all customers the same price or have a sliding scale, offer discounts or promotions? (Some member-based community enterprises, for example, charge lower prices to enterprise members, and some community enterprises will charge lower prices to people from the community sector(s) they aim to serve.)
- What will the terms of payment be? Will you offer flexible payment plans, invoicing, credit options, etc.?
- Will your price fluctuate seasonally or with low/peak business times (for example, bars offer happy hours for slow times or half-price Tuesdays for slow days, tourist businesses have peak season pricing because demand is higher during those times)?
- Is your product/service subject to GST?

Break-even point

The break-even point is the point at which your revenue equals your expenses. The break-even point can be worked out for any timeframe: annual, monthly, weekly or daily. There are a number of ways to work out your break-even point, one equation to calculate the number of units required to be sold to break even is:

\[
\text{Break-even point (units)} = \frac{\text{Total } \$ \text{ cost of overhead (fixed costs)}}{\text{Sale price } - \text{ cost of product (i.e. gross profit contributed per sale)}}
\]

Another way is to chart your total costs against your total sales for a period of time, as shown in the graph.
Section 3B: Design and Decide

From your break-even analysis, you will see how sustainable your business is, and what any shortfall will be. If there is a shortfall, you may be able to address it by either reducing costs, increasing sales or accessing gap funding or finance until the business is able to sustain itself.

Sales targets

Your sales will fluctuate based on many factors. However, it is important to look 12 to 24 months ahead and estimate how many sales you will be able to make. You may want to start by brainstorming things that might impact on sales including:

- seasonal fluctuations
  - weather
  - public holidays
  - big events

- reputation: word of mouth and publicity
  - you might start your forecast conservatively, but increase sales around times of heavy publicity
- enterprise growth: new investments
  - more, new, better or faster equipment
  - increased staff
- enterprise growth: staged growth
  - it takes money to make money
- enterprise growth: new contracts.

The market research that you have undertaken should help you to understand the likely demand for your product/service.

This is a good point to do Worksheet 3B:14

Chargeable hourly rate (for service businesses)

To assist in planning jobs and pricing your service, it is necessary to know how many chargeable hours the business has and what rate you will need to charge the customer in order to cover costs as well as incorporate a margin (profit).

Time spent doing activities such as administrative tasks, lunch, some travel, and other tasks not directly related to the product/service are not chargeable to the customer and should not be included. Table 3.3 shows how a landscaping/gardening business could calculate chargeable hours.

Service-oriented business (as opposed to those businesses that sell goods) tend to generate revenue by selling time.
Table 3.3: Example – Calculating the chargeable hourly rate for a landscape/gardening enterprise

**Step 1: Available working hours per year**

365 days less:
- 104 weekend days
- 10 public holidays
- 20 annual leave days
- 6 sick leave days

**Sub total:** 140 days

365 – 140 = 225 days

If each of these working days is 8 hours = 225 x 8 = 1800 work hours per full-time employee per year.

**Step 2: Chargeable hours per year**

Not all of the 1800 hours will be spent earning income for the business. Some time will be spent travelling between jobs, having trouble with equipment, doing administrative tasks, etc. Depending on the enterprise, some time may be lost due to weather conditions (for example, rain).

Make your estimate on a daily basis – (say) 2 hours per day on average.

The chargeable hours calculation is now 225 days x 6 hours per day = 1350 hours per year or 25.96 hours per week.

**Step 3: Add wage, on-costs and share of fixed costs**

Each employee has to earn enough money in 1350 hours or 25.96 hours each week to cover their costs and their ‘share’ of the fixed costs of the business. The ‘share’ for each worker (if they are all going to contribute equally) is:

\[
\frac{\text{Total fixed costs}}{\text{Total number of workers}} = \text{share per worker}
\]

The hourly rate to be charged is worked out by:

\[
\frac{\text{Wage + On-costs of worker + Their share of fixed costs}}{\text{Number of chargeable hours}} = \text{Hourly charge rate to break even}
\]

**Step 4: Add a margin**

Hourly charge rate + Margin = Final hourly rate

**Example charges**

In the example above, we calculated each employee will have 1350 chargeable hours per year.

If, as trainees, they are paid $12.00 per hour, the annual wage cost is:

\[
12 \times 40 \times 52 = $24,960.00.
\]

On-costs are commonly estimated at anywhere between 12% and 20%. If we assume 12%, the on-costs and salary will be:

\[
$24,960 \times 1.12 = $27,955.07
\]

If their ‘share’ of fixed costs is (say) $15,000 we can work out the hourly charge rate:

\[
\frac{($27,955 + $15,000)}{1350} = $31.82.
\]

That is, the customer will need to be charged $31.85 per hour in order to cover the labour and overhead costs. This rate will generate a break-even position for the enterprise. A margin can also be added to this figure to generate a surplus/profit.
Ways to alter this equation

- Reduce the wage cost to the enterprise (some enterprises employ trainees and receive a wage subsidy).
- Reduce the cost of the overheads.
- Charge a higher rate to the customer or find some jobs with a higher margin.
- Attract new income streams related to your enterprise model.

Sources of funding

A community enterprise may at some stage need to consider accessing alternative forms of income. Different enterprise models have access to different income streams above and beyond the revenue from selling products/services or through bank finance.

For example, some enterprises that have training objectives may be eligible to access wage subsidies from job networks and start-up and completion payments from traineeships.

Many other businesses provide fee-for-service training; others use volunteer labour; others receive contributions from supporters, which could range from a second-hand computer to ongoing financial contributions.

Cooperatives have shareholders and flexible models of pricing which may, at times, result in the members working and receiving a reduced wage as the enterprise struggles to generate enough revenue to cover their costs.

Analysing your financial position

There are many financial projections you can prepare that will help you to better understand whether or not the expenses and revenue that you have projected will stack up. If you feel you need more information to make a decision about the financial feasibility of your enterprise, go to Section 4, Do and complete a cash-flow budget. This will tell you not only whether your sales will cover costs, but whether you will have enough cash from month to month to keep your business afloat.

What if you just know that your enterprise is worthwhile, even though the numbers just don’t seem to add up? This may be because, while the enterprise may lose money, the alternative is much more expensive or much less effective. This might frustrate the group if you don’t have the tools to demonstrate the value that seems obvious to you. There are many resources available that discuss what is called social return on investment (SROI) or social accounting (this workbook does not discuss this at length, but a quick internet search will help you learn more about it). It may be costly or time consuming to undergo a full-blown SROI analysis, but simply understanding the concept might help you make sense and communicate what you know intuitively. Social accounting can account for such things as savings to the government because of decreased reliance on ‘welfare’, decreased healthcare costs, ripple effects to families, and other positive impacts that are more difficult to measure than profit or other traditional measures of business success.

A loss to the enterprise may be justified because without the enterprise, it may actually cost your organisation more to provide similar services. For example:

Traditional training program cost = $500
On-the-job training in a community enterprise:

- Cost = $750
- Revenue = $500

In this example, the enterprise is able to offset, not cover, the cost of training, but it provides both a financial saving compared with the traditional training program cost ($250) and a social benefit.
Stage 6: Establish key success and risk factors

Managers of successful enterprises understand things don’t always run as they should. Identifying the key factors that are critical to success strengthens the chances of surviving if things go wrong. Understanding the risk factors allows you to plan to manage them.

This is a good point to do Worksheet 3B:17

After you have identified your key risk and success factors, you can rank them according to their level of likelihood and their possible impact on the enterprise.

Given the analysis earlier, how significant are the identified risks and success factors? Are they make-or-break issues? Can you overcome risk factors or are success factors realistic and achievable? What is the group’s consensus on the level of overall risk associated with proceeding at this point?

If there are red flags at this point, this saves headaches down the track. If all risks are very high and highly likely, you probably want to rethink the enterprise! If risks are low to medium, this generally indicates they are more manageable.

In the business plan, there will be a focus on developing realistic, practical and effective risk-mitigation strategies to counter major concerns.

Stage 7: Make your decision

Through the process of interpreting the results of your feasibility study, it should start to be clear whether or not your idea is achievable. Considering the research that you have undertaken so far, it’s now time to write your feasibility study. The report should include the following categories and provide answers to the questions.

Resources
1. Do you have access to the necessary infrastructure and equipment to establish this enterprise?
2. Do you have adequate human resources to establish this enterprise?
3. Do you have adequate funds to establish this enterprise?

Market
1. Is there adequate demand for the product/service?
2. Is the level of competition in the market prohibitive or not?

Finances
1. Can you obtain the funds needed to start the enterprise?
2. Will the enterprise be financially viable?

Risks

Are the risks facing the enterprise manageable?

This is a good point to do Worksheet 3B:18
Worksheet 3B:18 will indicate how ready you are to move forward with your enterprise idea ‘as is’. If your group ranked the criteria as mostly 4s and 5s, you are ready to proceed. If this is the case, then the next section will help your group though the process of putting together a business plan that will build on the work you have done in your feasibility study. While you have proved that your enterprise idea is strong, remember to be flexible and to modify your enterprise along the way to reflect what you are learning.

It is unlikely that you will have made it this far if you ranked more than a few items with 1s and 2s. If you have come to this point and your enterprise idea is still weak, it may be time to examine a different idea altogether. Remember: do not be disappointed if your idea proves to be unfeasible. It is much better to find this out now than later!

**A rethink needed?**

If you ranked a few criteria as 2 or 3, with some ranking higher, your business model has some room for improvement. You may not be ready, but you don’t need to abandon the idea, you may want to examine some of the strategies to make your business concept stronger.

Work your way through the following suggestions and see if you can come up with some ways of scoring the criteria higher.

If low on **purpose**, can you do the following?
1. Review the proposed model so that it better meets community needs.
2. Look at ways of involving the community in the enterprise in other ways.

If low on **resources**, can you do the following?
1. Use volunteers.
2. Use students.
3. Seek in-kind donations.
4. Seek buy-in from major stakeholders and/or potential members.
5. Identify government or philanthropic sources that could support start-up.

If low on **market demand**, can you expand your geographic or demographic market in the following ways?
1. Modify the service or product.
2. Change your promotion strategy.
3. Network with organisations that are supportive of purchasing from a community enterprise.

If low on **financial viability**, can you do the following?
1. Value-add by offering additional products/services.
2. Raise the price and therefore increase your margin per sale, or lower the price and potentially increase sales volumes.
3. Consider existing government resources (such as training subsidies) that your enterprise can legitimately draw on to support its work.
4. Use benevolent or donated funds to continue operations.

If low on **staff and management**, can you do the following?
1. Strengthen capacity, for example, through partnership arrangements with other organisations interested in providing employment/training/work experience to their clients.
2. Consider use of service clubs/mentors/volunteers.
Is the project feasible?

Feasibility is subjective. In the open market place, the feasibility of a business proposal is driven by the capacity to generate a handsome profit from the investment. In community enterprise the goal is to maximise the social outcome while achieving financial sustainability. Where this is possible you would move on to the business planning stage. In some instances, financial sustainability through trading activity may not be possible, however there may be a commitment to subsidise the enterprise through donations or cross subsidies due to the social merit of the activity. If this commitment is present, you would consider moving on to the business planning stage.

Preparing for Section 4

A feasibility study asks the question: Is this proposal feasible?

The main reasons for producing a feasibility study are the same as the reasons for planning anything else in life. In the first place, going ahead and doing anything remotely complicated without first planning it is a recipe for disaster. Secondly, and perhaps more importantly, complicated projects (especially those led by community groups) involve several people in their implementation. Without a clear, agreed and written feasibility study at the start, confusion is almost inevitable.
Worksheet 3B:1

Setting the terms of reference

Purpose
To set the terms of reference for the working group preparing or supporting the preparation of the feasibility study for your chosen enterprise idea.

What to do
Answer these questions to help you set your terms of reference.

Purpose and structure of the group
- What is the function of the group?
  - What is it trying to achieve, what are the activities?
- What is the group structure?
  - working group (a group that takes on the tasks necessary to start the enterprise)
  - advisory committee (a group that provides advice to those doing the work)
  - steering committee (a group that drives the strategic direction of the enterprise)
  - board of directors (a group to which the enterprise is legally accountable)
  - other.
- What activities or tasks do you think will require a separate committee or sub-committee?
- What role does the community have in the group?
- Is the group accountable to anyone or any organisation?

Roles and responsibilities

Task-oriented roles:
- What roles associated with start-up need to be filled by members of the group?

Process-oriented roles:
- What roles associated with group processes need to be filled by members of the group?

Membership of the group
- Who are the key stakeholders that must be involved?
- Will membership be closed or open?
- How will the group deal with new members?
- Does the group have the right people to carry out the roles identified?

Decision-making process
- How will decisions be made (for example, by consensus, by majority rule, etc.)?
- How will decisions be recorded and made available to the group?
- How will your group deal with issues that divide the group?
Deciding how your feasibility study will be completed

**Purpose**

To agree on deadlines, costs and allocation of tasks for the feasibility study.

**What to do**

Complete the table below and have members of the working group and/or advisory committee agree on the detail.

<table>
<thead>
<tr>
<th>Responsibility (staff, group member, paid consultant, mentor, volunteer, student)</th>
<th>Skills needed (finance, management, writing, small business development)</th>
<th>Timing for completion</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseeing/managing the process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Writing/compiling the business plan document</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Social purpose screening

**Purpose**
To identify characteristics the enterprise will need to consider in order to deliver an effective social model.

**What to do**
Complete the table below to identify the characteristics your enterprise requires to address its primary purpose.

<table>
<thead>
<tr>
<th><strong>Industry:</strong> What are the characteristics of the industry? Is it capital-intensive? Is it labour-intensive? Does this matter to the enterprise?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recruitment:</strong> Who will you employ? What sorts of skills will the enterprise require from the various roles? Are the staff readily available? Will there be a demand for this sort of work? How will you recruit?</td>
</tr>
<tr>
<td><strong>Capacity:</strong> What is the capacity of the labour force you need? Would it be beneficial to have more staff working fewer hours? How will this affect equipment?</td>
</tr>
<tr>
<td><strong>Volunteers/part time/full time:</strong> Will you use volunteers, trainees or contracted staff? What are the benefits of using part-time or casual staff?</td>
</tr>
<tr>
<td><strong>Contracts:</strong> Are there factors that will impact on the length of contracts you will offer?</td>
</tr>
<tr>
<td><strong>Training:</strong> Can training occur before start-up? What are the costs? Can training be provided on-the-job? Who will deliver it? Can it be funded?</td>
</tr>
<tr>
<td><strong>Support:</strong> Will your staff need extra support in the workplace? Where will it come from? How much will it cost? Can it be funded?</td>
</tr>
<tr>
<td><strong>Rates of pay:</strong> What are the rates of pay for the types of staff you require?</td>
</tr>
</tbody>
</table>
**Worksheet 3B:3  continued**

**Social purpose screening**

<table>
<thead>
<tr>
<th><strong>Hours of operation:</strong></th>
<th>Does the purpose for which the enterprise was established have any bearing on hours of operation?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equipment:</strong></td>
<td>Does the equipment need to be modified to meet the social needs of the enterprise? Is there environmentally sensitive equipment that performs the same role? What are the cost implications?</td>
</tr>
<tr>
<td><strong>Location:</strong></td>
<td>Does the business need to be located in a specific place to achieve its purpose? Are there cost implications?</td>
</tr>
<tr>
<td><strong>Subsidies:</strong></td>
<td>Can you attract funding or support for aspects of the enterprise? Have you discussed this with the relevant organisations?</td>
</tr>
<tr>
<td><strong>Finance:</strong></td>
<td>Will your social purpose open up other finance/funding options for the enterprise?</td>
</tr>
<tr>
<td><strong>Community engagement:</strong></td>
<td>Is this central to the model? Has it been built in?</td>
</tr>
<tr>
<td><strong>Pathways to employment:</strong></td>
<td>If you are planning to offer pathways to employment, are there options for participants when they leave?</td>
</tr>
<tr>
<td><strong>Governance:</strong></td>
<td>Have you considered the most suitable governance model for achieving your purpose?</td>
</tr>
<tr>
<td><strong>Marketing:</strong></td>
<td>Will your social objectives influence customers’ purchasing decisions? Will you use your social objectives as part of your marketing strategy?</td>
</tr>
<tr>
<td><strong>Contact networks:</strong></td>
<td>Do you have contacts that can provide support based on the social value of the enterprise?</td>
</tr>
<tr>
<td><strong>Workplace policies:</strong></td>
<td>Will you need unique workplace policies to meet the purpose of the enterprise?</td>
</tr>
</tbody>
</table>
Infrastructure and equipment

**Purpose**
To assess the infrastructure and equipment required to establish your enterprise.

**What to do**
Complete the table below.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What buildings and infrastructure will your enterprise require?</td>
<td></td>
</tr>
<tr>
<td>Will you need to purchase any vehicles for your enterprise?</td>
<td></td>
</tr>
<tr>
<td>What are the technology needs of your enterprise?</td>
<td></td>
</tr>
<tr>
<td>What other equipment does your enterprise need?</td>
<td></td>
</tr>
<tr>
<td>Where will you obtain this technology and equipment?</td>
<td></td>
</tr>
<tr>
<td>When can you get the necessary equipment?</td>
<td></td>
</tr>
<tr>
<td>How much will the equipment and technology cost? (see Worksheets 3:B11 and 3:B13 to work out cost estimates)</td>
<td></td>
</tr>
<tr>
<td>How does your ability to obtain this technology and equipment affect the start-up date of the enterprise?</td>
<td></td>
</tr>
</tbody>
</table>
Human resources

**Purpose**
To assess the types of people and skills required to establish your enterprise.

**What to do**
Complete the table below to identify some of the key roles, the responsibilities of these roles and the skills required.

<table>
<thead>
<tr>
<th>Person/organisation</th>
<th>Roles/responsibilities</th>
<th>Skills/qualifications needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auspice agency (if there is one)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management committee (list members/agencies)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise manager</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volunteers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Funding

## Purpose
To estimate how much money you will need to plan, start up and operate your enterprise.

## What to do
Complete the table below to understand some of the key figures for financial support required.

<table>
<thead>
<tr>
<th></th>
<th>How much do you think you will need?</th>
<th>How will you get it?</th>
<th>When do you need it?</th>
<th>What restrictions (timing, needs to be repaid, etc.)?</th>
<th>Any alternatives (pro bono, volunteers, in-kind contributions)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money for planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money for start-up</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money for operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Rainy day’ money</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Worksheet 3B:7

Market environment

Purpose
To collect information about and analyse the market environment for your enterprise.

What to do
Complete the table below to get a better picture of the market for your enterprise. You will need this information for your feasibility study.

Overview of the ________________ industry in ________________
The ________________ in [place] has ________________ registered businesses.
This represents an average of one business for every ________________ residents.
The main sources of sales income are from (by percentage):
• ________________ ________________ %
• ________________ ________________ %
• ________________ ________________ %
• ________________ ________________ %
The sector is growing/shrinking, and is expected to continue to grow/shrink as a consequence of:
• ________________
• ________________

Average household expenditure is:
$ ________________ / year

Average expenditure for households in the lowest 20% of incomes:
$ ________________ / year

Barriers to entry for the sector are:
• ________________
• ________________
• ________________

Discussion
• Does the data suggest that there is room in the market for another enterprise?
• What market share does your enterprise need in order to be viable?
• What impact would a new enterprise have on the market?
• What aspects of the enterprise have the greatest potential in terms of growth?
• What is the ‘life expectancy’ of businesses in this industry (is there a high rate of business failure)?
• What factors might particularly impact upon your community enterprise?
Potential customers

Purpose
To collect data on and analyse the potential customers of your enterprise.

What to do
Write a profile for each target customer type including geographic and demographic information about them. Think about their values, what motivates their purchasing decisions, what marketing will they respond to, what is important to them. You will need this information for your feasibility study.

Customer profile

Who are they? (demographic)

How many are there?

Where are they located? (geographic)

What are the values that influence their purchasing? (psychographic)

What is their purchasing behaviour like for this type of product/service?
Customer survey

**Purpose**

To collect more data on the potential customers of your enterprise so you know how to reach them.

**What to do**

Write each interviewee’s answers in the spaces provided.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where do you normally get this product/service? Is it easy to find?</td>
<td></td>
</tr>
<tr>
<td>How much do you normally pay for this product/service?</td>
<td></td>
</tr>
<tr>
<td>How much do you think is a reasonable price to pay for this product/service?</td>
<td></td>
</tr>
<tr>
<td>How often do you buy this product/service?</td>
<td></td>
</tr>
<tr>
<td>What do you like about this product/service? What would you change?</td>
<td></td>
</tr>
<tr>
<td>What are the important aspects of the product/service?</td>
<td></td>
</tr>
<tr>
<td>Would you consider buying this product/service from a different business? Why? Why not?</td>
<td></td>
</tr>
<tr>
<td>What would encourage you to change product/service?</td>
<td></td>
</tr>
<tr>
<td>How do you feel about a business that would deliver social benefits? Would this impact on your purchasing decision and what are you willing to pay?</td>
<td></td>
</tr>
</tbody>
</table>

**Warning**

Conducting surveys and focus groups is a specialised area. If your group intends to conduct a survey, seek some assistance in the design and implementation. See, for example, Yoland Wadsworth’s Do It Yourself Social Research and visit: <www.surveymonkey.com>
Competition

Purpose
To collect data on the potential competitors of your enterprise.

What to do
Choose six or more of your most significant competitors and complete the table below. You may need to consult a variety of sources to come up with the answers (for example, the Yellow Pages, the Internet, or actually getting out and speaking to competitors, which you can do by shopping and trying the product/service yourself).

Competitor case study

Name:__________________________________________
Key products/services
__________________________________________
Price
__________________________________________
Place – where are they located?
__________________________________________
Promotion methods
__________________________________________
Number of employees
__________________________________________
Years in business
__________________________________________
Business growth (describe)
__________________________________________
Strengths
__________________________________________
Weaknesses
__________________________________________

Discussion
- How will your business compare to your competitors’ businesses?
- In what ways will you structure your business in light of the strengths and weaknesses of your competition?
- Are there opportunities to develop a competitive advantage?
Worksheet 3B:11

Start-up costs

**Purpose**

To help determine the start-up costs for your enterprise.

Part A helps you calculate the costs of fixed assets. Part B helps you calculate other start-up costs.

**What to do**

**Part A: Fixed assets**

Sketch a floor plan of your site and draw on it all the things you will need to fit it out. Work through your plan and place a value on each item. Identify things you already have and things that will need to be purchased, leased or obtained by loan or donation.

For a café your picture should include:

- tables
- chairs
- rugs/mats
- napkin holders
- crockery/cutlery
- coffee machine
- tea/coffee plungers
- utensils
- cash register
- eftpos
- microwave
- food display case/fridge
- refrigerator
- counters
- stoves, etc.

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase ($)</th>
<th>Lease ($)</th>
<th>In kind ($)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**Total cost of fixed assets**

*Continued on page 83*
Part B: All expenses

1. Estimate all other start-up expenses using known figures if you have these and complete the table below. Consider the following:
   - premises: initial rent (and bond) on premises plus any painting, modification, renovation costs
   - utilities: service connection costs, telephone, Internet server, etc.
   - staff: wages for any staff working prior to opening (include the entire wages costs to the business, such as superannuation, workcover, fringe benefits tax)
   - initial advertising costs: graphic design, logo (and its registration, if needed), sign-writing, website
   - vehicle: purchase of a vehicle, trailer, etc.
   - memberships: trade association memberships, etc.
   - feasibility study and business planning costs (in-house/consulting)
   - market research costs
   - accounting and legal fees
   - other.

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase ($)</th>
<th>Lease ($)</th>
<th>In kind ($)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total other start-up costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Add together the costs from Part A and Part B to calculate the start-up costs of your community enterprise.

Total start-up costs: $ __________________
Cost of sales

Purpose
To calculate the cost of sales (COS) for the products/services your enterprise will sell.

What to do
1. Calculate the COS on every good or service your enterprise sells. For example, a landscape gardening business might calculate the COS for lawn mowing, fencing and gardening.
2. When pricing your product/service, don’t forget to add a profit margin.

<table>
<thead>
<tr>
<th>Direct costs</th>
<th>Item</th>
<th>Cost ($)</th>
<th>No. of units/item</th>
<th>Cost/unit ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indirect costs</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cost of goods sold $
Operating costs

Purpose
To determine the operating costs of running your enterprise.

What to do
Complete the table below to determine your fixed and variable costs.

Fixed costs may include:
- rent
- lease of equipment (including vehicles – don’t forget registration and insurance)
- management and administration staff
- utilities (water, electricity, internet, telephone)
- insurance
- cleaning
- bank charges – fees and loan costs
- accounting/audit/tax/legal fees
- depreciation

Variable costs may include:
- advertising
- distribution
- utilities (electricity, telephone)

<table>
<thead>
<tr>
<th>Item</th>
<th>Description/notes</th>
<th>Cost per</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Week ($)</td>
</tr>
<tr>
<td>Fixed costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Totals:
Break-even point

**Purpose**
To calculate or estimate your possible break-even point.

**What to do**
1. You can now use your figures to calculate your break-even point.
2. You may need to calculate this for each unit or service you offer, but make sure you allocate all the overhead costs proportionally and do not count them more than once.

\[
\text{Break-even point} = \frac{\text{Total $ cost of overhead (fixed costs)}}{\text{$ Sale price – $ cost of product (i.e. gross profit contributed per sale)}}
\]

So how many units do you need to sell in order to break even?

**Notes**

---

---
Estimating your sales targets

Purpose
To estimate your sales targets.

What to do
Complete the table opposite to project the sales volume for each unit (product/service) you plan to sell.

- If you have many sales units, try to organise them into categories and estimate the sales level based on average price.
- You may want to look at benchmarks for your industry, which can give you an idea of what to expect. For example, gardening businesses might typically get half their work from lawn mowing and half from gardening.

Continued on page 88
Estimating your sales targets

<table>
<thead>
<tr>
<th>Product/service</th>
<th>Year 1 ($)</th>
<th>Year 2 ($)</th>
<th>Year 3 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Month 1</td>
<td>Month 2</td>
<td>Month 3</td>
</tr>
<tr>
<td></td>
<td>123</td>
<td>456</td>
<td>789</td>
</tr>
<tr>
<td></td>
<td>101</td>
<td>112</td>
<td>123</td>
</tr>
<tr>
<td></td>
<td>110</td>
<td>111</td>
<td>112</td>
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<td>109</td>
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<td>98</td>
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<tr>
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<td>87</td>
<td>88</td>
<td>89</td>
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<td>76</td>
<td>77</td>
<td>78</td>
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<td>65</td>
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<td>32</td>
<td>33</td>
<td>34</td>
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<tr>
<td></td>
<td>21</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

Total
# Chargeable hours

## Purpose
To estimate your hourly charge rate.

## What to do
Complete the table below in as much detail as you can. See example on page 66.

<table>
<thead>
<tr>
<th>Step 1: Available working hours per year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2: Chargeable hours per year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 3: Add wage and on-costs and share of fixed costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 4: Add a margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Final hourly rate = ___________________________**
Balloons and stones

Purpose
To identify the main factors that will impact on the success or failure of your enterprise.

What to do
On a matrix like the one below, identify issues that would be significant constraints on the successful development of your enterprise. These are the ‘stones’. In turn, identify key strengths, which are the ‘balloons’. There may be additional success or risk factors. Add in those that are critical to the success or failure of your enterprise.

The following are some potential risk and success factors. Use these as the basis for undertaking your own ‘balloons and stones’ analysis below.

<table>
<thead>
<tr>
<th>Commercial/legal</th>
<th>Individual activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Resources</td>
</tr>
<tr>
<td>Human behaviour</td>
<td>Human relations</td>
</tr>
<tr>
<td>Natural events</td>
<td>Community</td>
</tr>
<tr>
<td>Political events</td>
<td>Other activities</td>
</tr>
<tr>
<td>Technology</td>
<td>Related projects</td>
</tr>
<tr>
<td>Management</td>
<td>Industrial relations</td>
</tr>
<tr>
<td>Financial</td>
<td>Community</td>
</tr>
</tbody>
</table>

Example analysis

Balloon – key success factors

- Experienced manager
- Strong management plan
- Clear operating system

Stones – key risk factors

- Management capacity insufficient
- Not able to manage lower skills of trainees
- Admin and financial management unclear
Your balloons and stones analysis

Balloons — key success factors

Stones — key risk factors
Making your decision

Purpose
To take you through the decision-making process to determine the feasibility of your enterprise idea as you've designed it.

What to do
On the table below, rate each of the different factors using a score from 5 (agree) to 1 (disagree). Do this individually and then, as a group, pool your answers to come to an overall agreement on the score for each factor.

Rating your enterprise idea

<table>
<thead>
<tr>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>It adequately meets the identified social purpose</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resources</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have adequate infrastructure and equipment to establish this enterprise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have adequate human resources to establish this enterprise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have adequate funding to establish this enterprise</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is adequate demand for our product/service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The level of competition in the market isn’t prohibitive</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finances</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The enterprise will be financially viable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risks</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The risks facing the enterprise are likely to be manageable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTALS</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A business plan must be a living document, something that is reviewed annually and not put on a shelf to gather dust.

Peter Cox, CEO, Future Employment Opportunities
Section 4: Do

Snapshot

<table>
<thead>
<tr>
<th>Stage of development of the group</th>
<th>Fourth gear: Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>Preparing a business plan</td>
</tr>
<tr>
<td></td>
<td>Documenting an operating system</td>
</tr>
<tr>
<td>Possible structure</td>
<td>Management committee/board</td>
</tr>
<tr>
<td>Possible members</td>
<td>Based on the needs of the business, should include some original group members</td>
</tr>
<tr>
<td>Qualities needed in the group</td>
<td>Action-oriented, technical, persistent, committed, outcome-driven, with an eye for detail</td>
</tr>
</tbody>
</table>

This section is about preparing a business plan for your chosen enterprise design, following a successful feasibility study.

Checklist

- Have you completed a feasibility study for your enterprise idea and decided to go ahead?

What you will do in this section

- Identify key milestones in the business planning process.
- Agree who will prepare the business plan.
- Choose a legal structure for your enterprise.
- Prepare a business plan.

Worksheets

4:1 The business plan – when and how?
4:2 Vision, mission and values statements
4:3 Marketing plan
4:4 Marketing plan summary
4:5 Who is important?
4:6 Sales forecast
4:7 Cash-flow budget
4:8 Funding requirements
4:9 Risk management
Planning for start-up

To reach this point, you will have achieved a lot as a group: setting the terms of reference, possibly formalising an advisory committee or similar structure and preparing a feasibility study. You will have allocated tasks or leadership roles to specific members, and hopefully your group is functioning smoothly.

It is likely that your group status will remain relatively constant until you establish your legal structure. Membership of the group may or may not change, but the work your group has done to date should ensure any transitions are smooth. Once you’ve determined your legal structure, this will probably govern the management structure. At this time, you may need to consider setting up a management committee or board.

You are now in the process of establishing an enterprise. The outcome will be a robust business plan that is capable of attracting funding and providing the direction or road map for the business.

Who do you need?

Just as in the earlier stages, you will need to consider the role of the community, particularly when you make any big decisions.

The Do stage is one for practical, target-oriented people. There may be some Design and Decide element necessary but the focus is on consolidating your feasibility study into a business plan.
Identifying milestones

Before you begin the business planning process, it’s a good idea to assess where you are and what will need to happen between now and the first day of trading. A project plan will help you determine who will take on the major tasks and what the timeline will be.

It is not enough to develop a ‘laundry list’ of tasks that need to be completed before your community enterprise can start up. You will find that there are many interdependencies between tasks on your list. For example, if you need funding in order to pay someone to write the business plan, you will need access to the funding first.

Make the most of your time by examining dependencies between tasks, checking that the resources are available to complete these tasks and, finally, setting some reasonable deadlines for achieving them. You will be surprised how much more gets done with a plan.

Not only will your project plan provide a roadmap for your community enterprise, it is also a great resource to include in the appendix of your business plan to give the reader an idea of how and when your community enterprise will get up and running.

Start by listing the milestones for your community enterprise. A milestone is a key event that must occur in order to start up. For each milestone, there will be a number of tasks required for achievement. Some main milestones are:

- completing a business plan
- accessing funding
- developing an operating system
- launching the enterprise.

Against each milestone, you allocate the tasks that need to be completed to reach the milestone.

Hint

_Time is money. Consider the interaction between time and money when creating the timeline for your community enterprise development. For example, if the location of your enterprise requires renovations and timelines begin to slip, this could impact on your bottom line. That is, several months of fixed costs (such as rent or management wages) can accrue before any revenue is generated. So, be realistic about your timelines and prepare (financially and otherwise) for some slippage in your timetable._

Who is going to do what?

After you have identified major milestones for your community enterprise, you can use a Gantt chart, or customise the chart on Worksheet 4:1 to map your project timeline. For simplicity, this chart only looks at milestones, not tasks. You will assign overall responsibility for each milestone; if necessary, you can assign responsibility for the tasks as well.

Using contractors and professional support

Consultants are often called upon to prepare a feasibility study or business plan, or to provide specific technical information. Before you employ a consultant to do anything, think about how much of the project you could do yourselves.
The process of hiring a consultant will vary depending on whether you plan to use someone within your group or recruit another qualified candidate. It will also vary depending on what you are contracting them to do.

A first step for your group will be to detail your expectations in a written brief of what you want done (for example, preparing a business plan). You would then ask candidates to respond to your criteria and state how many days or hours it would take them and any costs associated with the work. If the process of selection is competitive, think about who should be involved in making the final selection. If you are only considering one person for the job, for example, someone involved in the group already, you may choose less formal measures. However, clearly stating deliverables and timelines is useful, no matter what the arrangement.

Generally, a contract between the contractor and another party (your group, who would manage the consultant and to whom the consultant is accountable) should be completed and payment attached to key milestones in the project.

At a minimum, your brief needs to include the project background and a snapshot of the community enterprise concept, the deliverables, the timeline, lines of accountability and any financial arrangements that were made with the person undertaking the work.

Lastly, don’t forget: just because you have brought someone in to do the work doesn’t mean you are off the hook! In order to get the most out of consultants, they will need to be closely managed and, ideally, work closely with the group, sharing responsibilities and filling in any gaps in capacity. They should be an extra pair of eyes, not the only pair of eyes.

Choosing a legal structure

For some groups, it may be too early to make a decision regarding the legal structure of the business, while others will be starting to seek legal advice regarding incorporation, or rallying members for a cooperative. This decision can be made before, during or after your business planning process. It is a good idea to consider the options. If a lead agency or another body will be running the community enterprise, their involvement in the planning process will be critical.

Governance and legal structure

Selecting a legal structure for your community enterprise is one of the big decisions for your group. There are a number of ways you can set up your community enterprise to trade. It is worth putting in the time to select a structure that reflects the primary purpose of the enterprise, who you want to have legal ownership, and what you intend to do with any profits.

When operating community enterprises, people often cite ‘community ownership’ as a priority. There are two ways that this can be accomplished. Ownership in the legal sense defines who is a shareholder or member and who is liable for the business activities. In order for the community to have ownership in the legal sense, the members of the group would need to become shareholders or members, as in a cooperative structure. You may also promote community ownership in the non-legal sense through consultation and inclusion of community members on advisory and management committees. You will need to decide what role the broader community will have in the community enterprise as this will impact on the legal structure you select.
The first question your group should consider is whether the enterprise will be auspiced by an existing organisation, or whether it will become its own legal entity. In some cases, running the enterprise under the banner of a community organisation may accelerate the process and ‘incubate’ the enterprise until it is ready to stand on its own (or it might never separate from its auspice organisation). Some communities, however, may have a number of reasons why they want to set up an independent legal entity from the start.

For example:
- It provides liability limitations for owners, which might include an auspice organisation.
- No organisation is willing to take the risk of auspicing the enterprise.
- It removes reliance on one lead auspice organisation.
- It gives you the ability to forge direction independently of an auspice organisation’s objectives.

**Hint**

*This information is intended as a starting point only. We strongly recommend that you get legal advice to make a final selection, and that you undertake incorporation and registration of your enterprise with the appropriate governing bodies.*

- It prevents revenue generated by the enterprise from being used by an auspice organisation.
- It allows you to raise funds from shareholders, members or the public (usually through shares).
- It can give the community direct legal ownership of the enterprise to build greater support for its development and sustainability.

The following chart outlines the main options for you to consider when setting up your enterprise.

<table>
<thead>
<tr>
<th>Structure</th>
<th>Why would you use it?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Auspice</strong></td>
<td>An auspice agency is already set up, so using their organisational structure would minimise time and cost. The auspice absorbs all the legal, financial and management risks associated with the community enterprise.</td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td>Well suited to trading in a business environment; a common and widely recognised structure. Companies can raise funds from shareholders, members or even the public. They provide owners with limitations on legal liability. In particular, companies limited by guarantee have been used for charitable purposes.</td>
</tr>
<tr>
<td><strong>Cooperative</strong></td>
<td>Useful if the primary purpose is to build the economic or social goals of members. Providing there is sufficient active support in the community, cooperatives can offer a unique way to bring the community together to build a sustainable enterprise.</td>
</tr>
<tr>
<td><strong>Partnership</strong></td>
<td>Useful if there are two or more people or organisations looking to be actively involved in the business and they have established an existing, trusting relationship already.</td>
</tr>
<tr>
<td><strong>Joint venture</strong></td>
<td>For organisations that are looking to work together on a business or project with a finite timeframe.</td>
</tr>
</tbody>
</table>
For advice in selecting a legal entity for your community enterprise, you may want to consult a legal firm that provides pro bono or low-cost assistance. Alternatively, contact Public Interest Legal Clearing House <www.pilch.org.au>, which is an independent referral service to help the community access pro bono legal advice.

The Cooperative Federation of Victoria covers the cooperative formation process thoroughly and information can be obtained from the website <www.australia.coop>.

**More information**

Consumer Affairs: <www.consumer.vic.gov.au>

Australia Securities and Investments Commission: <www.asic.gov.au>

Business Australia: <www.business.gov.au>

Australian Taxation Office: <www.ato.gov.au>

## Preparing a business plan

A business plan is a comprehensive description of what you intend to do.

For most plans, there is a particular need to clearly describe the proposed market, or target audience, for the proposal. This ‘demand’ is fundamental to supporting, and often financing, the proposal.

People frequently forget to adequately answer the question ‘Why?’. A clear rationale and justification for your proposals are required, not simply to woo potential outside supporters, but also to ensure that, internally, the group has considered the issues involved. Too often, and not just with community groups, there is an enthusiasm to race into the detail of what will be done, without standing back and thinking through what it will achieve, and how it fits with other activities going on in the area.

In most cases, more of the business plan will be devoted to how you will do things than to any other aspect. This is quite distinct from describing what you will do, and deals with the practicalities of constitution, decision making, management, staffing, premises, financing, etc. There is no room for any vagueness with these aspects, and the project may fail if they have not been carefully planned in advance.

It is not always obvious that the question, ‘When?’ is important. A common answer is, ‘As soon as possible’. Yet timing, and particularly the timing of resource inputs and outputs, is central to any plan.
Your group needs to constantly and critically examine your reasons for running the enterprise idea to see if they create a compelling argument for the business to exist.

Preparing a business plan is often viewed with fear or awe. The secret is: when you’ve completed a feasibility study, much of the hard work is done. Take note of the following guidelines:

- Business plans are simply plans.
- A business plan should be no more complex than the enterprise it describes.
- If you cannot compile your own business plan, then you should ask whether you will be able to implement it yourselves.
- Most things that community groups are likely to want to do will need to be planned. Ignore the word ‘business’, and compile a plan.

If you think of the feasibility study as a working document – one that plays with the enterprise concept and helps you understand whether or not the design is achievable – you can think of the business plan as a plan of action outlining how the enterprise is set in motion. It has a practical role to play in helping your group build a framework, making it much more likely to be successful. The business plan differs from the feasibility study in a few basic ways:

- It includes greater detail to support assumptions with hard data where possible.
- It includes a vision and mission statement, detailed marketing plan, operating plan and financial plan, including forecasts for 24–36 months.
- It is a more public document.

The tables that follow show the differences between these two important business documents.

<table>
<thead>
<tr>
<th>Feasibility study</th>
<th>Business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Executive summary</td>
<td>• Executive summary</td>
</tr>
<tr>
<td>• Description of product/service</td>
<td>• The business</td>
</tr>
<tr>
<td>• Social purpose</td>
<td>&gt; Vision, mission, values</td>
</tr>
<tr>
<td>• Resource requirements</td>
<td>&gt; Description of product/service</td>
</tr>
<tr>
<td>• Market analysis</td>
<td>&gt; Social purpose</td>
</tr>
<tr>
<td>• Financial plan</td>
<td>&gt; Legal structure</td>
</tr>
<tr>
<td>• Risk analysis</td>
<td>• The market</td>
</tr>
<tr>
<td></td>
<td>&gt; Market analysis</td>
</tr>
<tr>
<td></td>
<td>&gt; Marketing plan</td>
</tr>
<tr>
<td></td>
<td>• Operational plan</td>
</tr>
<tr>
<td></td>
<td>• Financial plan</td>
</tr>
<tr>
<td></td>
<td>• Risk analysis</td>
</tr>
</tbody>
</table>

Where the feasibility study and business plan overlap, you will need to reassess the business topic and provide more detailed information in the business plan.

Before analysing the details of a business plan, what does one look like?
**Business plan document**

A business plan is a written document that can vary broadly in length. As a guide, 20–50 pages should be more than adequate for most community enterprises. To retain its readability and impact:

- Keep things simple, clear and consistent.
- Avoid abbreviations and acronyms where possible.
- Avoid too much detail. If there is a lot of detailed data, attach it as an appendix.
- Break the text up with charts or tables. Use dot points where possible.
- Check that there are no spelling mistakes or typos.
- Ask someone to review it and comment – the objective is to convey your ideas to someone who is totally unfamiliar with your group and the business.

### Business plan

**of**

A business owned by the Newtown Community Association Inc.

Prepared by

Date: ________________

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CONTACT ADDRESS:

__________________________

__________________________

### Contents

**Executive summary**

**Part 1: The business**
- Vision, mission and values
- Description of product/service
- Social purpose
- Legal structure

**Part 2: The market**
- Market analysis
- Marketing plan
  - Product, place, price, promotion

**Part 3: Operational plan**
- Management
- Personnel and staffing
- Suppliers

**Part 4: Financial plan**
- Financial analysis
  - Sales forecast
  - Cash flow
- Financial management
- Funding

**Part 5: Risk analysis**
- Risk mitigation strategies

**Appendices**
- Project timeline
- Position descriptions for key roles
- Cost analysis
**Hint**

*The process of preparing a business plan is, in many ways, more important than the document itself. For this reason, your group needs to be closely involved with the process (even if you have chosen to employ a consultant to write the document).*

*It makes sense in certain circumstances to obtain outside advice, especially if a project is technically or financially complex. There is, however, an important distinction between obtaining advice so that you can be more effective in developing your own plan, and getting someone else to develop the plan for you.*

**Deciding how your business planning process will be completed**

Before you begin the business planning process, it is a good idea to determine which members of your group will take on the major tasks, understand your timeline, and know your costs.

<table>
<thead>
<tr>
<th>Responsibility (Staff, group member, paid consultant, mentor, volunteer, student)</th>
<th>Skills needed</th>
<th>Timing for completion</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseeing/managing the process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Writing/compiling the business plan</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Executive summary**

An executive summary appears at the start of the business plan and is usually the last section written. It is a summary of the different parts of the business plan and is usually only 1 to 2 pages. The executive summary will often be used independently of the business plan and needs to be written in this way.
Part 1: The business

Vision, mission and values

In this part of a business plan you state your vision, mission and values. You must show that your group has a clear sense of its objectives, and the creation of the community enterprise is directly related to the vision and mission.

A vision statement is a vivid description of a desired outcome that inspires, energises and helps you create a mental picture of your target. Consider Microsoft’s vision of ‘A personal computer in every home running Microsoft software’. This simple, yet powerful phrase can be used throughout the organisation to remind everyone of the vision.

For a community enterprise, the vision statement should focus on the ideal outcome for the enterprise. Describe your vision statement in present tense as if you were reporting what you actually see, hear, think and feel when your ideal outcome has been realised.

Since vision statements are usually focused on the long term, they don’t have to be updated or reviewed as frequently as mission statements.

A mission statement should say who your organisation is, what you do, what you stand for and why you do it. An effective mission statement is best developed with input from all the members of the group. This statement will be more practical than your vision statement, but the two should be linked. In other words, if you uphold your mission statement, you will be striving towards your vision.

You may also want to support your vision and mission statements by listing the core values that drive your activities. These can be represented as a list of common words, such as:

- equity
- honesty
- opportunity.

Or as short phrases:

- the equitable treatment of people, regardless of background
- honesty and integrity in our relationships
- opportunity for growth and taking on challenges.

This is a good point to do Worksheet 4:2

Product/service overview

To complete Part 1 of your business plan, your group must describe the type of product/service that your community enterprise will provide – manufacturing, service or retail, for example. You can also describe who will buy the product/service and who the final users will be. Keep your description brief because you will be discussing your customers in more detail in Part 2.

Social purpose

In the feasibility study you documented your primary social purpose and started to consider social outcomes. All outcomes need to be quantifiable and achievable within an agreed timeframe. In this part of the business plan you add the detail (the flesh to the bones) of your feasibility study regarding social outcomes. You should be able to articulate in some detail what your social objectives are, how your enterprise will meet those objectives.
Legal structure

Readers will need to know what legal structure the enterprise has adopted. If the structure is significant, for example, if you’ve chosen a cooperative structure because it enhances the social or economic outcomes of the enterprise, you may want to describe how and why you have chosen that particular structure.

Part 2: The market

Market analysis

Conducting a market analysis is the first step in determining if there is a market need for your enterprise. Knowing the market’s needs and how it is currently serviced provides you with key information that is essential in developing your product/service and marketing plan.

To begin the market analysis, answer the questions below. These questions will enhance your understanding and knowledge of your target market and industry, and ultimately determine whether there is a need for your product/service? If you cannot answer every question, consult others to find the answers. The market research that you did in your feasibility study will be useful.

- What defined market will the enterprise try to reach?
- What specific businesses are servicing this market?
- Are they successful?
- Are there other businesses servicing this market with a similar product?
- Are they successful?
- What is their market share?
- Is the market saturated or wide open? If so, why?

- What is the size of the market?
- Is it a growing market?
- Is the industry stable, volatile, growing?
- How will the enterprise reach this market?
- How does the competition reach this market?
- What are the business models of the competition?
- What do customers expect from this type of product/service?
- What are customers willing to pay for this type of product/service?
- What is the enterprise’s competitive advantage?

Marketing plan

Marketing has just as important a role to play in promoting the activities of non-profit, voluntary or community projects as it does in any other commercial activity. Many people believe that marketing, which is often seen as a hard-nosed business method, is neither necessary nor appropriate for these organisations, but nothing can be further from the truth.

Every organisation has to sell its services or ideas to someone, whether it is the local post office, a community swimming pool, museum, music school, nursery or training centre. Many community enterprises see the social aspect of their enterprises as a marketing tool, but this is not always true. Local and international experience suggests that identifying a business as a community enterprise can confuse some private sector customers, which can be bad for business. Conversely, it can be important to highlight your social credentials to those who initially see it as a selling point, such as government organisations. However, thereafter, you will be measured on performance, not social outcomes alone.
Many people believe that marketing is the same as selling, advertising or even market research, but it actually covers all of these elements. Marketing takes an overview of all aspects of an organisation. It identifies the customer, ensures the product/service meets the needs of the target audience, promotes the product/service, achieves the sales of the product/service, and continually monitors and checks that the product/service is still meeting the needs of the customer.

In developing your business plan, you need to clearly articulate how and to whom you are going to sell your product/service through the development of a marketing plan. The marketing plan must answer four key questions:
1. What are you selling (product/service)?
2. Where are you going to sell it (place)?
3. How much will you sell it for (price)?
4. How will you tell potential customers (promotion)?

These are often referred to as the four Ps, or marketing mix. Answering these questions will set your business on track to reach your target market most efficiently. Your answers must be based on your market research and the constraints that are unique to your particular enterprise. The answers will provide the material to assemble your marketing plan and take your product/service to the market.

**What are you selling?**

Generally, a business is not only selling a product/service but it is also selling its competitive advantage or unique value proposition (UVP). Through the work undertaken in the feasibility study, you should have a pretty good idea of what makes your enterprise idea unique.

Focus on this uniqueness and use it to your advantage. Try not to think of your competitive advantage only in terms of your not-for-profit status and potential access to government and other subsidies. Think also about the social purpose and any environmental purpose driving the establishment of your community enterprise, as well as market or commercial advantages.

What factors will help your enterprise compete successfully with other businesses? Competitive advantage factors could relate to:
- social or environmental impact
  - creates local jobs
  - provides training
  - generates funds for community activities
  - effectively uses local resources (recycling, reuse)
- localised product/service
- local investment and resources
- quality
- price
- after-sales service.

**Where are you going to sell it?**

Will your product/service will be available via:
- a retail outlet
- a wholesale outlet
- online/mail order
- an agent or sales representative
- home delivery?

These options are not mutually exclusive. For example, an enterprise can have a retail outlet and also sell online. Once you have decided which is your major means of selling, you can then determine the importance of location. You may already have identified this through existing infrastructure. However, it is worth considering ‘place’ further.
The decision about location will depend on the type of product/service that your enterprise is selling. If it is a service, then where that service is delivered will have a bearing on the decision. Is it a service that is delivered at the customer’s home (for example, carpet cleaning) or one where the customer comes to you (for example, chiropractic), or is it a mix of the two (for example, dog washing)? In each of these situations, the issues about location (place) are quite distinct.

For a product, the decision is likely to be whether to open a retail shop, sell online and so on. If the product is a ‘spur of the moment’ purchasing decision (for example, a cup of coffee), then having a good flow of pedestrian traffic past the premises will be more important than if you are selling larger products where customers need to park close by.

It might be tempting to take advantage of things like low rent or a free office space, but think about the ultimate impact this might have on your business. It may be worth paying higher rent if your sales will triple compared to a location with reduced rent.

Every choice you make regarding ‘place’ will have an impact on cost and on your customers.

**How much will you sell it for?**

Pricing your product/service requires more than just adding a margin to what it costs you to produce or deliver. Price has to reflect what your customers think it is worth. This is closely linked to the other aspects of your marketing plan because how you design your product/service or where you make sales can increase value in the eyes of your customers. These aspects can also increase your costs.

Some customers may be willing to pay a higher price because yours is a community enterprise. Others, however, may believe they should pay a lower price because they expect a lower quality product/service from a community enterprise. And others are simply not affected by the ethos behind the enterprise and see your product/service in the same light as a competitor’s product/service.

Remember that your customers will generally respond positively if you set an initial price and then lower it. They will not respond as favourably if you set a price and then raise it. Once you have set your price, people will begin to see that as what your product/service is worth. Any decision to increase the price should take into consideration the impact on sales.

Sometimes the wisest decision may be to not sell a particular product/service if the market is unwilling to pay a reasonable price.

**How will you tell potential customers?**

Promotion is what most people first think of when they think of marketing. However, the real decisions about promotion can only come after the decisions about product, place and price have been made.

Promotion is a matchmaking exercise designed to bring your product/service to your customer, and is based on knowledge of your customer and your product/service. Be aware that a promotional activity is not a promotional strategy. Your strategy is based on the decisions around product, place and price, which are likely to be the result of a combination of activities over a period of time to achieve promotional objectives.

Your strategies for promotion may well vary for different market segments that you have identified. The same service (landscaping/gardening) will have a different promotional strategy for customers who are looking for an upscale and exclusive service (the best strategy might be to promote by word of mouth or endorsement by distinguished people) than for customers looking for convenience and affordability (the best activity might be a flyer in the letterbox).
The strategies and activities you select will also be dependent on the amount of funds you are able to devote to promotion. Some promotional activities are much more costly than others. Some common activities are:

- use of media
  - advertisements in local papers
  - advertising in the Yellow Pages or other directories
  - radio or television advertising
- word of mouth, networking, referral incentives
- direct promotional activities, such as coupons and loyalty cards.

Lastly, be smart about how you spend your promotional dollars. Every promotional strategy will have a different rate of return. Continually assess which strategies or activities are having the greatest impact and drop those that are not generating sales. Remember too that some strategies will see instant results, but others may take time.

Attracting a new customer is only one part of your marketing plan and it is of little value to your business if you can’t then retain them by providing great customer service and keeping your product/service fresh and exciting.

Remember that the business plan is being developed for a 2 to 3 year period. Your marketing plan should be staged over that time in recognition that the needs in years one, two and three will differ, and that each year will build on the work undertaken in the previous year.

Part 3: Operational plan

What will the business look like as a trading entity? In the feasibility study you identified the model to meet your social purpose and you integrated this thinking throughout the document.

In this section it is important to re-state how the enterprise will actually look when it is up and running. It’s an opportunity to clearly outline how supplies feed into production, who does what, when, and how the back-of-house services link to operations management and sales. Sometimes it’s easier to do this with diagrams and charts as well as with words.

Operations and production also need to consider the social purpose underpinning the enterprise and the impact of this on the business with regards to productivity, training, recruitment, hours of operation, workplace policies, support and coordination.

It may help to outline the support and the operations model, and integrate the two. In outlining the model, address the following:

- How does the product get made? How is the service delivered?
- What are the characteristics and equipment of the production facility or workplace?
- Are there any safety or environmental factors that need to be addressed?

Equipment, Occupational Health and Safety (OHS) and insurance

- You need to understand what tools and equipment will be required to do the job properly.
- OHS systems can be bought off the shelf or developed from existing packages and are mandatory in all workplaces.
- Insurance represents a critical cost consideration. Talk to insurance brokers to understand the necessary cover required in the industry you will be operating in.
Contractors and professional support

Enterprises often use contractors or consultants to supplement the skills of employees, or to fill gaps in the business’s capabilities. For example, you may need help with finances, accounting, legal, occupational health and safety and other areas. There is a need to understand what can be done in-house and what can be done through external people.

Consultants can play an important role in providing expert knowledge, but they should be used carefully, should not be allowed to take over the business, and should work within clear agreements, with clear understanding of their roles. Each contractor will require a formal arrangement that articulates responsibilities into timelines and costs.

Management

Earlier in the section, you considered what might be an appropriate legal structure for your business, which will influence how the enterprise is managed.

Even in a small enterprise, you will find at least two layers of management: someone to look after the day-to-day operations of the business (a front-line manager) and the person, organisation, or committee that they report to, which could be a board of management (if the enterprise is an independent legal entity) or an advisory committee (if the enterprise has an auspice organisation). Whatever arrangements are in place, you need to ensure that there are clear and agreed areas of responsibility.

Personnel and staffing

In the feasibility study you identified the main skills and the key people needed to run the community enterprise. The next stage in the development of your business plan is to identify in much more detail the range of people needed by the enterprise.

To work out who will do the work, it is necessary to first identify all the tasks and skills that will be needed to run the enterprise and the ‘quantity’ of each that is needed. What are the key skills required for each task? Does the person undertaking the task need to:

- deal directly with customers
- operate machinery
- do heavy lifting
- have a driver’s licence
- handle money
- work independently
- have particular knowledge, skills or qualifications
- take on particular responsibilities, such as managing staff?

The manager may be a full-time employee of the enterprise, an employee of a community organisation ‘on loan’ (full-time or part-time) to the enterprise, or unpaid. While each arrangement will have particular implications, it is still necessary to draw up a clear and comprehensive position description. You may be able to look at the position description developed by another community enterprise or community organisation to get an idea of what needs to be included.

If the enterprise is under an auspice, make sure that there is clear agreement on the areas of responsibility of the advisory group and the auspice organisation. Also, ensure there is a clear agreement on the respective roles and responsibilities of the manager and the board of management or advisory committee.
Group tasks together where possible to create ‘jobs’. Once you have done this, you will be able to develop position descriptions.

These tasks can be done either by employees (paid or unpaid) or by someone external to the enterprise (the auspice organisation, a volunteer or a contractor). Work out whether you need to recruit staff with these skills or train a particular target group. This will help you identify the training requirements (and costs) for the business.

Many community enterprises aim to provide either vocational pathways or employment creation for a particular demographic (for example, young people, newly arrived migrants, unemployed people, etc.). If you are planning to offer vocational pathways, pay attention to both the training requirements and the impact upon productivity.

Employees

Most, if not all, community enterprises will have employees (paid or unpaid or a combination of the two). During the feasibility study, you made a decision about whether the employees will be trainees, skilled workers or a combination of the two.

Before you start looking for staff, it is well worth doing a job analysis. This is the process of collecting and analysing information about the tasks, responsibilities and performance standards, working conditions and working relationships of a job. It will provide:

- the job description
- a list of the skills and attributes you are looking for in a person
- performance standards, appraisal, discipline and grievance procedures, monitoring and evaluation of the job
- reporting relationships for accountability
- working conditions related to the post.

To do a job analysis, you should consider the following:

- **job identification data**: job title, department, location and relationship with others – reporting relationships, supervisory relationships, contacts and liaison internal and external to the organisation
- **job content**: actual tasks or duties, level of responsibility for tasks, importance of tasks, how often they are performed
- **working conditions**: physical environment, social environment (such as working alone or in a group) usual time of work, salary and benefits, holidays
- **performance standards or objectives**: these can be for either the job as a whole or for specific tasks; they can be expressed in quantifiable terms, such as raising $x per annum, or qualitative terms such as managing the community building or maintaining group cohesiveness.

You should now have an idea of the broad skills and qualifications the position requires, the amount of work the job entails, and how it fits into the organisation. You will also have an idea of what salary or wage bracket the position is in.

To clarify the wage level for the position, it is useful to visit the DEWR website, which lists descriptions of positions and links them to awards.

You should think about the various options that you have for employing a person – part-time, full-time, paid or voluntary, freelance, fixed term traineeships, etc. Each option will have slightly different responsibilities, for both the enterprise and the person you have taken on to do a job.
If you are considering taking on extra staff, it is wise to get as much information as you can from the Australian Taxation Office (ATO) or Department of Employment Education and Training Services. Ask about all the different options and the implications before you interview anyone. Then, if someone approaches you with, for example, a suggestion such as job-sharing, you will know what your position is before it gets to the interview stage. You can always go back to the ATO, or whoever, with more detailed questions later.

If the enterprise has training and employment objectives, keep your target group in mind when developing roles. For example, a social firm would need to establish criteria appropriate to people with a disability.

Volunteers
Volunteers are often the backbone of community groups and organisations. Their commitment and contribution to the work of the organisation is often about more than money or a career. However, volunteers can be taken for granted, or not put to their best use. Consequently, they can feel misused and the organisation may feel they have little control over them.

If you are going to take on volunteers, you need to:

- be committed to them and have thought through how they are going to fit into the organisation
- earmark resources – volunteers don’t come completely free; they need space, equipment, training, and possibly expenses.
- identify specific jobs that are the volunteers’ own, rather than just finding something for them to do when they turn up
- advertise and recruit volunteers with those specific jobs in mind
- use the same processes in advertising and recruiting voluntary staff as you would for paid employees.

Induct and train volunteers in the same way as you would a paid employee. You may find that some of the volunteers who are working with you receive some state benefits. Both you and they should be very clear about how working voluntarily might affect those benefits. Encourage all volunteers in receipt of state benefits to inform their local benefit office before starting any voluntary work with you. Talk to your local benefit office and get information about how voluntary workers can help you without limiting their rights to any benefits that they might receive.

It is good practice to pay volunteers any expenses they incur while working voluntarily for you. Clear rules and procedures should be established for what is a claimable expense, how claims are made and how expenses are paid. Expenses should be for actual costs incurred and not a general payment, as this may incur PAYE status.

Hint
If you intend employing apprentices or trainees, have a discussion with a local Group Training Organisation. These organisations often undertake the employment of apprentices or trainees for smaller employers. This may be beneficial for new community enterprises that don’t have the capacity to provide all of the management, training and support needs of apprentices and trainees.
Suppliers

All enterprises have suppliers – the businesses that you buy from in order to be able to sell your product/service. While you may have a long list of businesses that you buy from, your most critical suppliers will be those who provide:

• any raw materials you need
• any product/service that is critical to your enterprise
• any product/service for which there is no alternative supplier.

These are the suppliers you will need to develop strong working relationships with. You may have other suppliers that are not as critical (for example, those that supply something that can be easily sourced elsewhere).

When choosing a supplier, remember that price is not the only consideration. Also consider their terms of credit and their willingness to take a risk in your business. For example, a large supplier may have the most competitive price, but because your business does not have a relationship with the supplier, they may have strict terms of payment that put a strain on your cash flow. Pricing a variety of suppliers will allow you room to negotiate.

Make up a list of products and services you will need to buy in, identify those that will be your critical suppliers and contact them to discuss their terms of payment, prices, etc.

As a community enterprise, you may look for other community enterprises to be your suppliers, or suppliers that are sympathetic to your mission. Or it may be important to source supplies locally to avoid further ‘leakages’ of resources from your community.

If your local supplier does not have the most competitive price, return to them with the best price and see if they will match it. This could be a win-win for both of you and will ultimately keep money in your community.

Part 4: Financial plan

Assessing the financial viability of a proposed enterprise will always involve a certain degree of estimation.

Being conservative and basing your estimates as much as possible on fact is a better tactic than relying on overly optimistic assumptions. It is better to have a stronger cash flow than predicted, rather than a weaker one. It is also important to develop the forecasts (at least for the first year or two) on a monthly basis. This will enable monthly monitoring between projected and actual cash flow, allowing timely mitigating action to be taken before any ‘under performance’ causes serious problems.
Revisiting costs

In the feasibility study, you calculated financials including start-up costs and fixed and variable costs. You may want to revisit these figures and capture them succinctly in a cost summary. You will use this information when working on your forecasts.

Forecasting sales

In your feasibility study, you estimated sales targets for each of your products/services. At this stage, you need to check how likely those sales will be. For example, if you are projecting sales from a significant customer, you may want to sign a contract, memorandum of understanding (MOU) or letter of intent to secure that work. Build on the work done in the feasibility study and update your figures based on any additional research you have done.

Warning

The worksheets in this section are a guide only. It is strongly recommended that you seek the assistance of an accountant to prepare (or review what you have prepared) and interpret your financials.

For forecasting purposes only, it is recommended that you exclude GST from all revenue and expenses as it has no direct impact on the net result of the business.

This is a good point to do
Worksheet 4:6
Managing stock or materials

Depending on your business, you will have a varying amount of stock on hand that should be accounted for in your cash flow at the time it was purchased. Because stock can tie up your cash, you will probably want to have as little stock on hand as possible to meet your customers’ needs.

Some points to consider when deciding how much stock or materials to purchase are:
- Is there a discount for bulk ordering?
- Is the stock or material perishable?
- Do you have the cash to make large purchases, or will you need to make smaller, more frequent purchases?
- What storage capacity do you have?
- How much variety will you have in your products? How will variety impact the customer and the image of your business?
- On what credit terms (if any) can stock be purchased?

All of these variables need to be balanced. One method is to make a purchasing strategy based on your cost of sales (COS) and your sales forecast. Looking forward and predicting when you will make orders of stock or materials will help you manage your cash more effectively.

Cash-flow budget

Lastly, it is not enough to have your business make a profit. For example, if your sales are limited to a particular time of year or you don’t have the cash to purchase stock and materials (your inventory) to meet your seasonal demand, you may have issues with cash flow.

It’s very important that cash flow remains positive. Without cash, you are unable to pay bills or do business.

It is also important to find out your legal obligations (if any) and the potential implications for the enterprise if you are unable to pay debts when they are due.

Credit plans

Almost every business extends some level of credit to its customers, and most businesses themselves will use the credit that is extended to them from suppliers and other businesses. Because cash is the lifeblood of your enterprise, you will need to examine your credit plan against those of your suppliers so you don’t get into difficulties. For example, if you extend credit to your customers with 60-day payment terms, but your suppliers only give you 30 days to pay, you may run into cash-flow issues. Look at the following example.
Table 4.1: Example of credit plan and implications for cash flow

<table>
<thead>
<tr>
<th>Terms</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed costs</td>
<td>$1000/month</td>
</tr>
<tr>
<td>Variable costs</td>
<td>$1000/job</td>
</tr>
<tr>
<td>Price</td>
<td>$1500/job</td>
</tr>
<tr>
<td>Credit terms</td>
<td>60 days</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales units</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Sales income</td>
<td>3000</td>
<td>6000</td>
<td>12000</td>
<td>24000</td>
</tr>
<tr>
<td>Expenses</td>
<td>3000</td>
<td>5000</td>
<td>9000</td>
<td>17000</td>
</tr>
<tr>
<td>Profit</td>
<td>–</td>
<td>1000</td>
<td>3000</td>
<td>7000</td>
</tr>
<tr>
<td>Payments received</td>
<td>–</td>
<td>–</td>
<td>3000</td>
<td>5000</td>
</tr>
<tr>
<td>Opening balance</td>
<td>0</td>
<td>–3000</td>
<td>–8000</td>
<td>–14000</td>
</tr>
<tr>
<td>Cash flow (bank balance)</td>
<td>–3000</td>
<td>–8000</td>
<td>–14000</td>
<td>–26000</td>
</tr>
</tbody>
</table>

The business is growing exponentially, with sales units and sales income doubling every month. On the surface, it appears that the enterprise is doing very well and making a profit. It is not until you look at when the cash is received that you begin to see that the business is in trouble. With a cash flow like this, the enterprise would not be able to continue operating, even though the demand for their service is clear.

How could this enterprise have changed the outcome?

- Negotiate with suppliers to increase credit terms (if expenses were on 60-day terms as well, that would help).
- Negotiate with customers to reduce credit terms (if payments were received sooner, that would also help).
- Talk to the bank about an overdraft (if the cash-flow problems are temporary, but business growth seems strong, your overdraft may be able to carry you through a cash problem area).

A major reason for producing a cash-flow forecast is to identify when the enterprise may have cash shortages and plan ways of either overcoming these or having a strategy for surviving them. You may want to consult an accountant or business adviser to help you develop effective strategies.

One important way of managing your cash flow is looking at your own credit policies and those of your suppliers as discussed earlier.

This is a good point to do Worksheet 4:7
Financial management

If your enterprise is to be auspiced by another community organisation, that organisation will already be preparing its own financial statements. Think about how your enterprise’s financial statements will fit in with the auspice organisation’s financial requirements.

Your enterprise will need to have documented systems for banking, deposits, credit and other financial functions. You will also need someone to prepare financial statements for the enterprise, including:

- profit and loss statement
- cash-flow statement
- balance sheet.

Learn how to prepare these financial documents and interpret them. Combined, they will tell you the financial story of your enterprise. Good financial management processes suggest these statements can be produced each month for analysis by management.

Funding

If you find that there is a gap between the funds you are generating from sales and your expenses, you will need to access another source of funding. You will need to look closely at how you will sustain your business and work to get your funding and/or finance mix right. You may find that start-up is when you need the biggest boost and this is often when a traditional business would seek finance.

When deciding whether to seek funding for a project your business has to consider some basic questions. For instance, have you:

- identified, and can you show clearly, that there is a need for your enterprise?
- gathered information/research material to prove the need?
- considered whether you should have partners to help share the workload?
- decided who within the organisation can drive the project forward, whether they can show that they are capable of running the project and whether they have enough free time to spend doing so?

You should also identify people who may be sympathetic and prepared to help. Who could you ‘co-opt’ onto your committee to strengthen your position and/or help shape your enterprise? Obviously, you need people who have specific expertise and experience. Don’t waste time and money re-inventing the wheel if others can help.

Before beginning to prepare a funding application, check your business plan to ensure it covers such issues as:

- sustainability
- realistic revenue projections (honest financial forecasts of weekly/monthly/annual income)
- coherence (is your project easy to understand and explained logically).
If you intend to seek some form of funding, an application should have a clear structure. A suggested outline is:

- project title
- introduction – stating who you are
- proposal summary
- the problem or need and who will benefit from the project
- what you want to achieve
- how you will do it
- how you will monitor your results
- how much money you will need
- how much money will you raise from your own and/or other funding sources.

When in doubt remember the 5 Ms of project planning and grant applications. You need to provide information on the project’s:

1. **Mechanics**: What? Where? When? Aims and objectives?
2. **Market**: Why? For whom? Scale of demand and local support?
3. **Management**: Who will manage the project? What track record do they have?
4. **Money**: How much will it cost to set up and run? How much money will be raised locally? From whom do you expect to get the other funding? What assumptions have you made in the calculations?
5. **Monitoring**: How will you measure the project’s success? What targets will you set?

The next step is to draw up a list of potential funders. To do this, you will need to do some research. For example:

- research potential funders
- choose funders whose criteria your enterprise fits
- make contact before you prepare your application to ensure your project fits the funders’ criteria
- find out the funders’ timetables or timescales for reply
- state clearly where you hope to find all the funding.

**Part 5: Risk assessment**

What risks does your community enterprise face, and what are your plans for mitigating them?

In your feasibility study, your group started identifying the potential risks for the community enterprise in a balloons and stones diagram. You may want to revisit these risks and add any new ones that have been identified. It may help to think about risks as either internal or external to the business. It is not enough to simply identify risks, but also to predict the likelihood of the risk, project the impact it might have on the business and develop a strategy to mitigate it.

The following key questions will help you prepare the risk analysis:

- What are the risks internal to the business?
- What are the risks external to the business?
- Which ones present the greatest risk to the business?
- What can you do to reduce the risks or cover them?
What are the internal risks to the business?

Internal risks are things that could impact on the community enterprise from within – staffing issues, accidents and employee behaviour can all pose a risk to the enterprise. These include:

- occupational health and safety issues (poor workplace policies results in accidents)
- quality control (products/services that don’t work properly)
- staff skills (productivity is too low).

There may also be issues that are peculiar to community enterprises. These include:

- Competing in the open market: In order to achieve social outcomes, your community enterprise may not be as ‘lean’ as competing for-profit businesses.
- Risk aversion of community agencies: If your community enterprise is being auspiced by a community-based organisation, they may be unwilling or unable to take risks that could benefit the community enterprise because of their aversion to risk.
- Lack of business start-up and management experience within community organisations: While your management group or community organisation may have vast experience, they may not have experience running an enterprise.
- Lack of ‘sweat equity’ concept: In for-profit businesses, growing the business will result in greater rewards for the business owner. In community enterprise, this concept is not nearly as strong, because while the enterprise’s success may mean more funding for the community, the motivation may not be the same as when it impacts on an individual’s take-home pay.
- Reaching an appropriate scale: It is common for community enterprises to maintain a marginal profile, for many of the reasons stated above. This may be okay, but it could also mean the enterprise becomes stagnant or quickly irrelevant.
- Mission drift: If your community enterprise is auspiced by a community organisation, you may find that the energy fulfilling the auspice’s requirements is draining resources from your core mission.
- Staff burn-out: You may find that staff are out of their depth when working on a community enterprise and there is a risk of the people who have been with the enterprise through its start-up phase burning out. A loss of these staff may mean a loss of energy and history of the project.

What are the risks external to the business?

You have examined the risks from within the business, but what about from outside the business? Consider the impact that world events or natural disasters have on businesses that seemed to be thriving and strong. At a more local level, a new competitor or even a change in parking regulations can have equally devastating impacts on a small enterprise.

External risks include:

- changing fashion (your product/service becomes obsolete)
- a new competitor
- changing government policies.

External risks peculiar to community enterprises include:

- Negative perception of community enterprise: Community enterprise comes in and out of fashion politically. Whether it is a change in support, bad press, or just a ‘fading out’, these changes can impact the success of your enterprise.
Market saturation: It’s hard to imagine, but anecdotes of community enterprises competing with one another are starting to be documented. Competition is not always a negative thing, but if there are too many community enterprises in the same field, the chance of stepping on one another’s toes will increase.

Changing policies: Some community enterprises rely on the use of trainees and could not otherwise afford to fully staff their business. A change in awards or other such change could negatively impact the enterprise. Some enterprises are built around government contracts; if policies change, some would go out of business.

Which ones present the greatest risk to the business?

Each potential risk that you have identified will vary in impact and likelihood. Similarly, each will vary in the control your group has over the outcome. By gauging these two factors, you will start to see where to focus your energy and which risks you can leave to fate or whether to employ a less expensive or elaborate strategy. For example, your nursery business may face a risk of a trend towards silk plants, but the likelihood of this is very slim (high cost/low odds). You will want to concentrate your energies on the risks that have both a high cost and high chance of occurring.

What can we do to reduce the risks or cover them?

Now that you have identified the internal and external risks facing your enterprise, you need to look at how you might manage those risks.

Some typical strategies for managing risks will be:
- insurances
- documenting procedures in an operating system
- staff requirements (for example, food handling licence, etc.)
- training
- regulations.

It’s difficult to predict what will happen in the future, particularly for risks that are external to the enterprise. While one risk (for example, staff tripping on a cord) will have a clear path for mitigation (for example, tape the cords down, train staff, require particular footwear), another (for example, increasing oil prices) will be outside of your control. Even those items seemingly outside of your control can be mitigated (for example, purchasing the most fuel-efficient car within your budget to reduce the impact of rising fuel costs).

Remember also to look back at your key success factors, as often these will be the key to protecting your enterprise against the risk.

This is a good point to do Worksheet 4:9

Executive summary

Having completed all five parts of your business plan, you need to summarise the main points in an executive summary and collate the document, including the appendices. The executive summary appears first.
Using your business plan

You’ve put a lot of time and effort into your business plan. What happens when it’s done? Think of your business plan as a living document and refer to it and review it often.

Many factors that affect your business are tied to an annual cycle. To ensure that your business plan continues to serve you well, make it a habit to update it annually. Set aside a block of time near the beginning of the calendar year, fiscal year or whenever is convenient for you.

Compare your expected results against your actual results. Because your business plan sets forth marketing, operational and financial milestones, you should carefully analyse actual operating results against the goals and objectives established in your plan.

Parts of your business plan may feel very tight and others still may need some work. Look for ways to improve what you’ve done so far. Anticipate future events – good and bad – that may affect your business. Take appropriate action if goals outlined in your plan haven’t been met.

Your business plan is a working document that will work for you if you use it to remind yourself and your group where you are going and how you will get there. Whether you’re updating your business plan for the first time or the twentieth, treating your business plan as a dynamic document that evolves over time proves to yourself and others that you understand your business and you know what is required to make it grow and prosper.

Practising your pitch

Your group will often be called upon to describe your community enterprise to potential funders, potential customers, councils and government departments, so it will be handy to know how to do this in a succinct fashion.

One way to make sure you don’t get caught off guard is to prepare an ‘elevator pitch’. This will help you identify the key features of your business to convey to a variety of audiences. A good elevator pitch can lead to ongoing conversations and relationships that will help your community enterprise succeed.

An elevator pitch should:
- clarify your enterprise idea
- present your idea in a concise and inspiring way
- be brief – how long do you have when you are riding in a lift?
- grab your audience from the start
- be adapted for different audiences
- highlight the data that is meaningful to your audience
- include no more than a few key points
- be second nature to you – practise it until it no longer feels awkward.

Start by writing your pitch down, then use every opportunity to practise it. You should address the following questions in your pitch:
- What is the problem you are addressing through your enterprise?
- Describe how your enterprise idea will address the problem.
- Who is the customer?
- What is the value proposition? (What real difference are you going to make?)
- How will your idea fit with the values and strategies of the stakeholder(s)?
- What do you need? Don’t forget to ask for something in your pitch (time, money, patronage, a business card).
Preparing for start-up

Accessing funding

If you have identified a need for funding so that your community enterprise can get off the ground and you haven’t been able to access it up to this point, then funding is now the critical issue for you.

There are some funders that will be more interested in community enterprise than others and it is important to target these. It’s also important to apply to a range of funders as some applications may be unsuccessful and some funders will only provide funding if others are also providing funding, such as matched funds.

The Brotherhood of St Laurence is developing a number of resources that will be hosted on the website, which will outline potential funders for community enterprises at the various stages of development.

Operating system

Once the funding is in place, you need to build the nuts and bolts of the business. The operating system needs to be in place before you can begin trading.

The operating system is a document that a newly appointed business manager would need in order to understand how the business works.

The objective of an operating system is to bring together aspects of the business planning and operation in order to establish systems for the ongoing management, monitoring and control of the business.

To develop an operating system, your group will need to draw on a range of expertise to ensure that the document meets all legislative and organisational policies. It needs to be detailed, practical and should fully explore the production process for the product/service. The operating system is also the last opportunity to seriously troubleshoot before you start up. The more work that is undertaken at this stage, the less likely that mistakes will occur later.

Similar to every other aspect of business planning, the system will need review and revision as your enterprise develops.

The operating system should be an explicit record of the way the business operates.

The content of your operating system will depend on the type of business being developed. Broadly it should include:

- business overview
- buildings, facilities and equipment
- work scheduling and project management
- supply and distribution
- staff practices and policies
- employment and training
- occupational health and safety systems
- financial management
- monitoring performance
- insurances
- governance
- policies on equal opportunity.

Hint

This section is not a comprehensive document on how to develop an operating system. That would require an extensive instructional guide which goes well beyond the scope of this Resource Kit. In many industries off-the-shelf operating system packages that only need ‘fine tuning’ to meet the needs of a business, can be purchased. If your community enterprise uses this type of third party quality management accreditation (such as AS/NZS ISO 9002:2000), it could begin with clear templates and systems that can easily be tailored to the business. You may want to explore the cost if you are considering this option. However, it is possible, with professional or skilled advice, to prepare your own operating system.
Purpose
To identify the milestones, tasks, responsibilities and timelines to get the enterprise up and running.

What to do
Allocate responsibility for each milestone to someone involved in the enterprise and give the milestone a deadline. Doing this will help you identify relationships between tasks.

Which milestones and tasks have a relationship? (That is, one can’t start before the other is finished.) Make sure the order of the tasks and the timeline reflect this.

Remember that this chart can be added to the appendices of your business plan, so keep it relatively high level. You may wish to use a more detailed project plan to help your team achieve individual tasks.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Responsibility</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Apply for funding</td>
<td>Program coordinator</td>
<td>1 2</td>
</tr>
<tr>
<td>Example: Complete business plan</td>
<td>Consultant</td>
<td>x</td>
</tr>
</tbody>
</table>

Worksheet 4:1
Vision, mission and values statement

Purpose
To develop the vision, mission and values statements for the enterprise.

What to do
As a group, complete the following statements. It may take some time to arrive at exactly the right wording for your statements. You may want to start by jotting down answers to the following questions and then playing around with the wording until it expresses exactly what you want to say.

Vision statement
What would the world look like in 10, 20, 50 years if your group could achieve all of its aims?
Who would be affected?
Example:
The Brotherhood of St Laurence’s vision is ‘An Australia free of poverty’.
Our vision is: ____________________________

Mission statement
What do you do?
How do you do it?
Who do you do it for?
Why do you do it?
What impact do you have? On whom?
Our mission is: ____________________________

Values
What values drive your activities?
What are some of the things that are sacred to you and your group?
Our values are: ____________________________
## Marketing plan

### Purpose

To agree on what you are selling (the product/service), where you are going to sell it (the place), how much you will sell it for (the price) and how you will tell potential customers (the promotion).

### What to do

Work through each of the four Ps, spending some time reflecting on your marketing ideas and strategies. Summarise them in a few sentences on Worksheet 4:4 and add them to your business plan. This summary should also include your competitive advantage(s).

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>Product/service</th>
<th>Target customers</th>
<th>Features</th>
<th>Benefits</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Product/service A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product/service B</td>
<td></td>
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<tr>
<td></td>
<td>Product/service C</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLACE</th>
<th>Retail, wholesale, online, mail order, home delivery?</th>
<th>How does it meet customers’ needs</th>
<th>Features</th>
<th>Benefits</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>PRICE</th>
<th>Product/service</th>
<th>Price</th>
<th>Profit margin</th>
<th>How does your price reflect customers’ needs?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Product/service A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product/service B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product/service C</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROMOTION</th>
<th>Promotional strategy</th>
<th>Target customer</th>
<th>Features</th>
<th>Benefits (return)</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
Marketing plan summary

Purpose
To summarise and reflect on your community group’s approach to marketing and the four Ps (product, place, price, promotion).

What to do
Complete the following statements in as much detail as you can.

Product
Your key products/services are designed to meet your customers’ needs and wants by:

Place
The location of your enterprise and how and where you will sell your products/services has been chosen because:

Promotion
You will attract new customers to your business by:

You will keep your customers loyal to your business by:

Price
Your pricing and payment policies are:

Competitive advantage
You will succeed by:
### Who is important?

#### Purpose

To detail some of the roles and responsibilities for management, administration and the running of your business, including your suppliers.

#### What to do

List the tasks and skills needed to operate the enterprise and identify who will provide these skills. You can then use this information to help you document position descriptions for different roles and positions. Also identify your suppliers and detail the products you plan to purchase from them.

<table>
<thead>
<tr>
<th>Managing the enterprise (planning, overseeing staff, preparing financial statements, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positions:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating the enterprise (delivery of the product/service)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positions:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Products</th>
<th>Price</th>
<th>Location</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

Worksheet 4:5
Sales forecast

Purpose
To predict the number of sales you will make in each month for the first three years.

What to do
For every sales unit, predict the number of sales you will make in each month in the first three years of operation. Base your forecasts on the most detailed conservative information you have available – signed contract or MOU, industry benchmarks or market research.

Remember to consider seasonal fluctuations for your industry, growth based on the age of the business, and the impact of promotional events and activities.

Continued on page 128
<table>
<thead>
<tr>
<th>Sales unit – (product/service)</th>
<th>Month</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>No. sold</td>
<td>Price ($)</td>
<td>Unit 1 sales (No. sold x price) ($)</td>
<td>Unit</td>
<td>No. sold</td>
<td>Price ($)</td>
<td>Unit 2 sales (No. sold x price) ($)</td>
<td>Unit</td>
<td>No. sold</td>
<td>Price ($)</td>
<td>Unit 3 sales (No. sold x price) ($)</td>
<td>Total sales income ($)</td>
<td></td>
</tr>
</tbody>
</table>

Worksheet 4:6 continued
Sales forecast
Cash-flow budget

Purpose
To estimate your income and expenditure over the first 12 months.

What to do
Use the table below or a spreadsheet to document forecasts of your income against expenses. When completing the table look at your sales forecast for the corresponding months and start there.

<table>
<thead>
<tr>
<th>Month ($)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<th>12</th>
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<tbody>
<tr>
<td>Total sales (from sales forecast)</td>
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<td>CASH IN</td>
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<tr>
<td>Income from sales</td>
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<td>Other income</td>
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<td>Loans</td>
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<tr>
<td>Contribution from stakeholders</td>
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<td>TOTAL CASH IN</td>
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</table>
# Cash-flow budget

**CASH OUT**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Variable costs</td>
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<tr>
<td>Cost of goods sold</td>
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<tr>
<td>Any purchase of fixed assets</td>
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<tr>
<td>Fixed costs (itemise)</td>
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</tbody>
</table>

**TOTAL CASH OUT**

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<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>5</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow</td>
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<tr>
<td>Opening balance</td>
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<tr>
<td>Closing balance</td>
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</tbody>
</table>
Funding requirements

Purpose

To identify your funding requirements.

What to do

Use the headings below to analyse any gaps you might have in both your start-up funding and gap funding to work out what financial assistance you might need for your enterprise. Use your profit-and-loss and cash-flow analyses to determine the financials.

1 Start-up funding

Exactly what assistance do you need, and what will the resources be used for? Can the funding be broken down into stages (smaller chunks) or is it all required up front?

<table>
<thead>
<tr>
<th>Total start-up needed</th>
<th>$__________</th>
<th>Timeline</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
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<tr>
<td>$</td>
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</tr>
</tbody>
</table>

2 Operational gap funding

You may find there is a gap between your sales and expenses for the first few months, or the first few years. Hopefully, this gap will reduce monthly until you break even and your revenue begins to cover your expenses. Until then, you may need to find a source of revenue to cover the gap.

Look at your cash-flow statement at any month and see if you have a negative cash flow. Plan ahead and make sure you can cover any deficits.

You may be able to cover this through your bank’s overdraft. You will be required to show the bank your business plan and prove future financial viability. If you can’t do this, you will need to look at other sources of money to cover any deficits.

<table>
<thead>
<tr>
<th>Total loss (year one)</th>
<th>$__________</th>
<th>Timeline</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources</td>
<td></td>
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<td></td>
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<tr>
<td>$</td>
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<tr>
<td>$</td>
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</tr>
</tbody>
</table>
Risk management

**Purpose**
To identify your potential risks and how you might overcome or minimise them.

**What to do**
Remember to look back at your balloons and stones diagram from your feasibility study, and add any new risks that you’ve identified.

Predict the likelihood of each risk, discuss the impact it might have on the business and develop a strategy to mitigate it.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact/cost</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>List possible/potential risk</td>
<td>Gauge the likelihood of such a risk occurring</td>
<td></td>
<td>What strategies can we use to overcome or reduce the impact?</td>
</tr>
<tr>
<td><strong>INTERNAL</strong></td>
<td></td>
<td></td>
<td></td>
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Every community is unique, with its own set of priorities. Community enterprise is a tool for responding to community priorities. The Brotherhood of St Laurence has identified five primary purposes for developing community enterprises:

- providing an opportunity for participation or engagement
- providing a pathway to employment
- creating employment
- retaining/gaining a needed product or service
- achieving environmental benefits.

If any of these is a priority for your community, a community enterprise may provide a sustainable response. But where do you begin?

Or, have you already started down the road of setting up a community enterprise, but you’re running into a few obstacles?

The Brotherhood is familiar with these questions and, over the years, has worked with many communities to find answers. With the support of the Victorian Government, the Brotherhood has produced this Community Enterprise Resource Kit to help community groups set up community enterprises.

The Introduction to Community Enterprise is a good starting point. It explores the concept of community enterprise and its history.

The comprehensive Community Enterprise Workbook gives you advice for each of the stages of planning your community enterprise. Divided into four main sections, it helps you discuss some ideas for a community enterprise within your community and filter those ideas till you have one to test through a feasibility study. Then, if the idea stands up to the feasibility study, you will be guided through the process of preparing a business plan.

The Community Enterprise Across Victoria DVD gives you some real-life examples of the community enterprises that have been set up in Victoria – the challenges and the rewards.