



TOOLKIT

# PROJECT ORGANIZATION

**Business  
Development  
Survival  
Strategies**



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# PROJECT ORGANIZATION – Business Development Survival Strategies

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# PROJECT ORGANIZATION

## Business Development Survival Strategies

### INTRODUCTION

Establishing a solid foundation for your new business is vital. Start-up businesses are the engine of the American economy, accounting for seventy percent of the U.S. job market. However, start-up businesses face risks, especially in the economic climate of today. According to the US Small Business Administration, about one-half of all new businesses don't last five years, even in a non-challenging economy. Why?

Research suggests that start-up businesses which fail, often fall into a pattern of problems in at least one of the four following areas:

- **Planning.** Lack of a plan to guide the business from start-up through expansion.
- **Financial Access and Management issues.** Including the lack of business forecasting and limited access to capital for the first few years of the start-up period.
- **Human capital.** Including not realizing the need for specific experience in the business being started, for management experience, and a business or entrepreneurial mindset.
- **Location.** Including inadequate operating facilities, poor geographic location or under- or over-improving the facility.

So how do we make sure that economic endeavors of Community Action Agencies avoid these problems? Read on.

This tool-kit will hone in on two of the major "problem areas" identified above: planning and financial access and management issues. We will describe what types of plans would be most helpful to your efforts, and talk about financial sustainability and seeking the new capital that your effort may need.

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### STRATEGIC PLAN

#### ***What is a strategic plan?***

A strategic plan is an organizational management tool used in the present to determine future projections for a desired result or goal. A strategic plan serves as a road map to lead an organization from where it currently is to where it would like to be in a specified time frame, usually five to ten years.

All Community Action Agencies should have a strategic plan already. In fact, those CAAs that aim to achieve the CAP Standards of Excellence© must have a strategic plan in order to meet Standard Category 2.

In brief:

- A strategic plan for your organization provides direction for the agency, which is in line with the overall mission and vision of the organization. It encompasses all aspects of the agency, particularly its programs, services and goals. It helps define why you are undertaking specific program activities, and the benchmarks that define whether the programs are succeeding for you.
- As the old saying goes "You don't know whether you got there unless you know in advance where

you are going." A plan defines that destination for your organization.

- A good strategic plan should clearly include the following:
  - Your organizational description
- Your vision and mission statement
- Your agency values statement
- Identifiable goals and strategies from an external and internal analytical standpoint
- Strategic Analysis Data: What is the environment in which the organization works and how does it impact your work? Consider political, economic, demographic, societal and technological trends. A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the organization and its environment may be helpful here, with a listing of strategic positive and negative issues that need to be addressed.
- What strategies will the organization adopt to improve the environment and reach the vision?
- What resources does the organization need?

**Your strategic plan should place your community economic development programs in the context of your organization's environment, value proposition, mission, goals, programs and resources.**

- It should answer why you are undertaking CED. How does the CED work reflect the mission and vision of your organization?
- It should explain how you can employ your organization's assets to implement CED work. For example, are you looking at CED to utilize and maximize an asset or program; to provide a new service to your clientele in order to bolster other activity you are undertaking; to generate some revenue to support the rest of the organization; etc.?
- It should indicate the overall expectations, benchmarks (particularly in regard to the organization) to be reached, and resource needs.

**There are a few issues to think about in determining how well CED fits your organization's strategic direction.**

- The fit. How closely does the program you are considering fit into the overall vision and mission of the organization? Do your economic development projects fit into the strategic direction of the organization? For example, if your mission is to provide jobs for low-income people, will the project meet that objective? If your mission is to provide affordable housing for low-income people, does it provide affordable housing for the population your agency targets? If you are considering creating an office or community center, for instance, is the space going to enable important community services to come in and be more accessible to your constituents? If you cannot see a good strategic fit between the mission of the organization and the type of CED program you are considering – then maybe you need to look in another direction.
- Core competencies? Does the CED work build on the talents and skills of your CAA? Do you already have many of the skills needed to implement the CED program? If the CED program does not build on your core competencies – then your strategic plan will need to address how you will account for staff skill gaps and or limited resources to meet the goals of the economic development work outlined in your plan.
- Competitive advantage? What is your agency's competitive advantage? In other words, what sets your agency apart from other agencies or businesses in the same class as yours? Community economic development projects encompass a broad spectrum of possibilities and your agency is not likely to be the only competitor for such projects. In assessing your competitive advantage you must look at who the real and potential competition is and determine why your

organization may be better positioned to compete. What advantage do you have over those other competitors? Maybe better access to a strong and loyal consumer base, such as when you locate a thrift store next to your office or Headstart program that already has a large number of people walking by. Or access to trained workers or skills, such as when you expand the Headstart catering kitchen to supply lunches for other agencies or offices? Or developable property you already own (and thus do not have to incur costs to buy)? No competitive advantage? – then maybe you need to look at other programs.

**How do you draft a strategic plan? Developing a good strategic plan is a process that involves considered judgment about the direction of the organization. It is not done in a day.**

- Most strategic plans are developed with a well thought out process, that is often facilitated by a skilled consultant. It includes a planning committee of your key board members and usually your executive level staff and program managers. All major program areas of the organization should be represented in such a committee to make sure that the committee understands the successes, needs and pressures on the various programs.
- Establish a timeline to complete the drafting of the plan – it should not be a never-ending or burdensome process, even though it will take more than a few days.
- Look at the environment in which you work
- There are a number of ways of doing this, including conducting a SWOT analysis, in which you look at the organization's Strengths/Weaknesses/Opportunities/Threats.
- Or, use available data on community demographics and economic trends to see where the community is heading, how it is changing, and what program demands you might face in the coming years.
- If possible, it may be easier to get help from a neutral, outside source to assemble and analyze the data on your community.
- Develop (or review) a vision for the community, or what you want your community to look like. The community may be the low-income people you deal with, or the geographic community in which you work.
- With that vision in mind, what is the organization's mission? The mission should express your organization's role in helping to achieve the vision.
- Then, with the vision and mission drafted, what is your organization's theory of change? That is, what conditions in the community do you plan to change and improve, and how will you bring about that change? Then, do your programs fit into that theory? For example, if one of your goals is to reduce poverty conditions among the low-income population by one-third in five years, what program actions does the organization need to take? Does the economic development project you are undertaking or planning to undertake fit in to how you see the community changing? All of the CAA's programs should fit within the theory of change.
- Review existing programs of the organization
- What have been the outputs and outcomes from the work over the past several years? What trends appear from a look at these measures?
- What is the cost/benefit for each program? What does it cost to run each program at the CAA, and is the organization able to gain the revenue to pay those program (and administrative support and overhead) costs? So, do the programs pay for themselves, and if not, is the organization able and willing to pay for them?
- Look at staffing, resources, connections

- What assets does the CAA have on which to build? This may include financial, human and program assets; things like a staff particularly skilled at grant- and fund-raising, buildings it owns, etc.
- Do all the programs have the right staff to achieve their goals? As programs grow or change, will staff changes be required?
- Does the allocation of resources match the priorities of the organization – that is, are most of the resources going to the programs that have the highest priority?
- Are there gaps to be filled in order to succeed in the programs and in meeting the organization’s vision? Are new programs needed? New funds to expand programs? Different skills? Connections with other institutions that can bring other resources to the community?
- Establish short and long term program and organizational goals, and benchmarks to measure progress
- Benchmarks should be achievable, measurable, credible, and easy to assemble and analyze

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## BUSINESS PLAN

### **What is a business plan, and what makes it different from a strategic plan?**

- A business plan describes the specific business you are planning and how it would operate (as opposed to the organization’s plan which deals with your entire organization).
- It clearly describes the assumptions surrounding the business. These assumptions include locations, size, financial needs, growth potential, and the issues that may impede growth.
- It tests the assumptions against real conditions in the market place (e.g., it demands that you look at the market size and buying power, the competition, and the financial needs of the business). It also describes contingency plans, in case the assumptions don’t work out as projected.
- It indicates what resources are needed to operate the business

You may not need an in-depth business plan right away

- Sometimes a shorter, summary plan can work
- Your board and staff may not need all the details to make a preliminary decision to move forward with the proposed CED project
- The board and executive level staff will often need to know whether the business or project is feasible based on the current organizational and economic climate, what it will cost and where the money to pay those costs will come from, and that its benefits outweigh the costs. Such an analysis does not need to look at all the options and contingencies for the business, or what the competition is.

However, most outside funders or investment partners will want to see a full business plan.

- Lenders will definitely want to see the financial and business assumptions and plans. They will want to be assured that you understand the business and its risks, and will be able to repay their loan to you.
- Public funding sources will also most often demand a full business plan. Increasingly, public sector sources have to demonstrate that they are doing their due-diligence on every project, and they will therefore ask for studies in-depth on new projects. This is particularly the case with federal sources.

- Venture funders will also want to see a full business plan. Some foundations and private funders represent themselves as “venture philanthropists,” acting as investors in projects or organizations (as opposed to more traditional funders who are more interested in project feasibility and beneficiaries of every project). These venture funders will want to “kick the tires” on the project and see if they can get involved and make it better. Thus, they will want to see your full thinking and planning.

### **When do you develop a business plan?**

- When you have a complete idea of your project/business. You will have to have more than a passing interest in the project in order to have all the information needed to complete a business plan. Enough detail on the proposed operations, competition and environment will be needed that a business plan can’t really be written until the project is thought out.
- When you need to review your assumptions about the work, and to make sure that you have developed a full understanding of the barriers and have thought of contingencies to overcome barriers. Often, when you embark on a new line of business (or new type of program), you want to make sure that your investment of time and money will result in success. A business plan can help you consider, in depth, what you are embarking on, what barriers you may face, and whether and how you can plan contingencies to avoid problems.
- To understand what staff, funding and other resources you will need. A new business-line also means investing people and money. But how much, when and from where? A business plan can help you figure that out. Rather than guessing, a plan can be more thorough and look at all eventualities.
- To set benchmarks of business progress. Last, once the business is launched, you need to know whether it is working. But – other than looking at the profit that might get generated – how do you know whether the business is working? A business plan can set goals and benchmarks that show whether the business is moving toward success. This is important because not all businesses – in fact, most businesses – don’t generate a profit right away. So, if you can’t look at the profit that is generated in the early years of most businesses, you will need to determine other benchmarks toward progress – things like increases in customers, reduced outlays of business costs, increased contracts for the services you are providing, etc.

### **What should a business plan include? The following six elements are important for a complete business plan.**

- Description of the business. Provide an outline description of the proposed business; what will it be – such as a kitchen incubator, a catering service, lawn and maintenance business that employs youth, a construction business, etc. How and where will it operate? What makes that location or business area important to your business (for example, you have access to otherwise unused space next to the Headstart center from which you feel you can attract a large number of customers)? How large will it be? How will you be marketing the business?
- What is the business opportunity – your target customers, what you will offer that is unique? You should describe what the competitive advantage you have in undertaking this business. You may have access to trainees in catering, or a kitchen that has experience catering for your Headstart centers and with the capacity to expand. Or, you may already work with the local governments and banks in your community – all of whom pledge to work with you on recycling of computer and other electronics, thus enabling you to start-up a recycling business. And, who will the other customers be? If you have that excess kitchen capacity, how will you market it and to whom? If you are establishing a recycling business, where will you get more materials to recycle, and to whom will you sell the materials?
- What is the business environment – what is the competition, what are the gaps you are trying to

fill? It is vital to look at the community to see whether your new business will have competition and, if so, who that is. Naturally, this review of the environment depends on the nature of the business you are proposing. A housing development business, for example, has to look at other housing already developed – or soon to be developed – at similar prices to what you plan and in the community where you are located. Many businesses, too, will be tied to a specific geographic area – your community. But some retail businesses these days have to compete with web-based retailers or services.

- Resource needs to establish the business. Here, a business plan has to discuss what staffing, funding, and other needs the business will have, and the sources you propose to use. On staffing, for example, what people will be needed to plan, start and maintain the operation – and what skills will they need? Because we are talking about people, we also have to discuss the pay scales they will need. In some industries – such as restaurants and retail businesses – there are national or regional pay scales you might want to consult with in projecting needs and costs. Staff aren't the only resources you may need, of course, and so the business plan should describe space needs and costs, inventory and equipment, and other "inputs" that the business will need to survive and make a profit. You will need to indicate where the funds will come from, including both grants and loans. And, don't forget any equity your organization is providing to the business (such as property you already own, unrestricted funds you are providing, etc.).
- Benchmarks. As noted, it is sometimes complicated to determine whether a business is succeeding in those months (or years) before it turns a profit. In those cases, it is important to establish intermediary measures of progress, so you know whether you will reach your overall, long-term goals. The business plan should include those benchmarks of progress. For example, you may want to estimate a trajectory of increased contracts for services the business will generate, or a projection of increases in staff needs as business improves. Important also is your projection of when you will be turning a profit, and how much. Some of the CAA-sponsored business loan programs, for example, have developed benchmarks around the volume of loans they are able to originate. A nonprofit-sponsored equipment recycling business has benchmarks around the number of contracts it is able to agree to for accepting old computers and equipment.
- What are the various possibilities for achieving or failing to achieve goals? It is vital to understand whether there are obstacles for your business in its striving for success. Obstacles may be competition that operates at a lower cost, or inability to borrow enough capital at an affordable rate, or environmental issues with the property you plan to develop, or other, similar eventualities. Or they may be regional or national issues, such as a recession. First, you must recognize what barriers might exist or potentially crop up. Second, you have to describe options or contingencies you might exercise to deal with them. For example, a nonprofit that started a lawn and home care business it thought would be able to sell its services to the increasing number of retired people moving to its community found that the national recession resulted in fewer seniors moving and existing seniors having less money for cleaning. So, the business adjusted and started selling its services to local institutions and governments that had cleaning and lawn care needs.

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Some links to resources to help in thinking about and drafting a business plan include:

- [www.sba.gov/category/navigation-structure/starting-managing-business](http://www.sba.gov/category/navigation-structure/starting-managing-business)
- [www.score.org/resources/business-plans](http://www.score.org/resources/business-plans)
- The Social Enterprise Alliance at [www.se-alliance.org](http://www.se-alliance.org)
- [www.npenterprise.net](http://www.npenterprise.net)

LEGAL STRUCTURE (TO BE WRITTEN BY CAPLAW)

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