

how to guide



TRANSITION ENTERPRISE HANDBOOK



Who is this guide for?

This guide is aimed at anyone thinking about starting a Transition Enterprise (even if they don't wish to use the label) or anyone involved in supporting them.

This guide is designed to inspire and give an overview of the process, but does not aim to be a comprehensive guide to the start-up process. The guide puts in context and signposts to, the wealth of support that is available to Transition Enterprises and Social Enterprises in general.

The guide is also suitable for any existing enterprise which is planning a period of change or development.

This guide is suitable for enterprises in the UK. Many of the sources of support referred to are restricted to England, but in most cases there are similar or even better support opportunities in the other nations of the UK.

This work has been made possible with the support of the Friends Provident Foundation.

See www.transitionnetwork.org to find out more about Transition of which the REconomy Project is a part.

About the author

Mark Simmonds has created this guide on behalf of the REconomy Project. www.reconomy.org

Mark is the founder of Co-op Culture and is a co-operative and community enterprise advisor, who works with new and existing enterprise and in particular with community agriculture, community energy, forestry and Transition Enterprise.

Mark is also a founder member of several community enterprises, including Pennine Community Power Limited and The Fox and Goose Co-operative Pub.

www.culture.coop



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What is a Transition Enterprise?

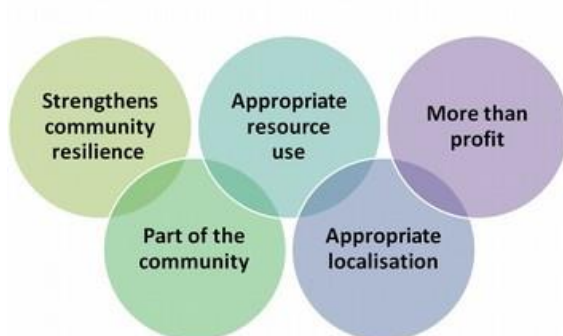
In recent years there has been an upsurge in Social Enterprises, which trade for a social purpose and principally reinvest their profits in the enterprise. A Transition Enterprise is simply a type of Social Enterprise, which, whilst also addressing the sustainability of the enterprise, tends to be anchored in the local community and meet some important need. Many enterprises trade for social purpose but are still an active part of an economic system that is degrading our ecosystem and whilst they can demonstrate financial sustainability their use of resources in particular is unsustainable.

A Transition Enterprise (TE) is a financially viable trading* entity that fulfills a real community need, delivers social benefits and has beneficial, or at least neutral, environmental impacts.



** viability means to at least meet costs, and means of exchange other than money may be used.*

A Transition Enterprise does not have to emerge from a Transition Initiative, it is just the term being used to help identify those enterprises that have the traits which align with Transition principles.

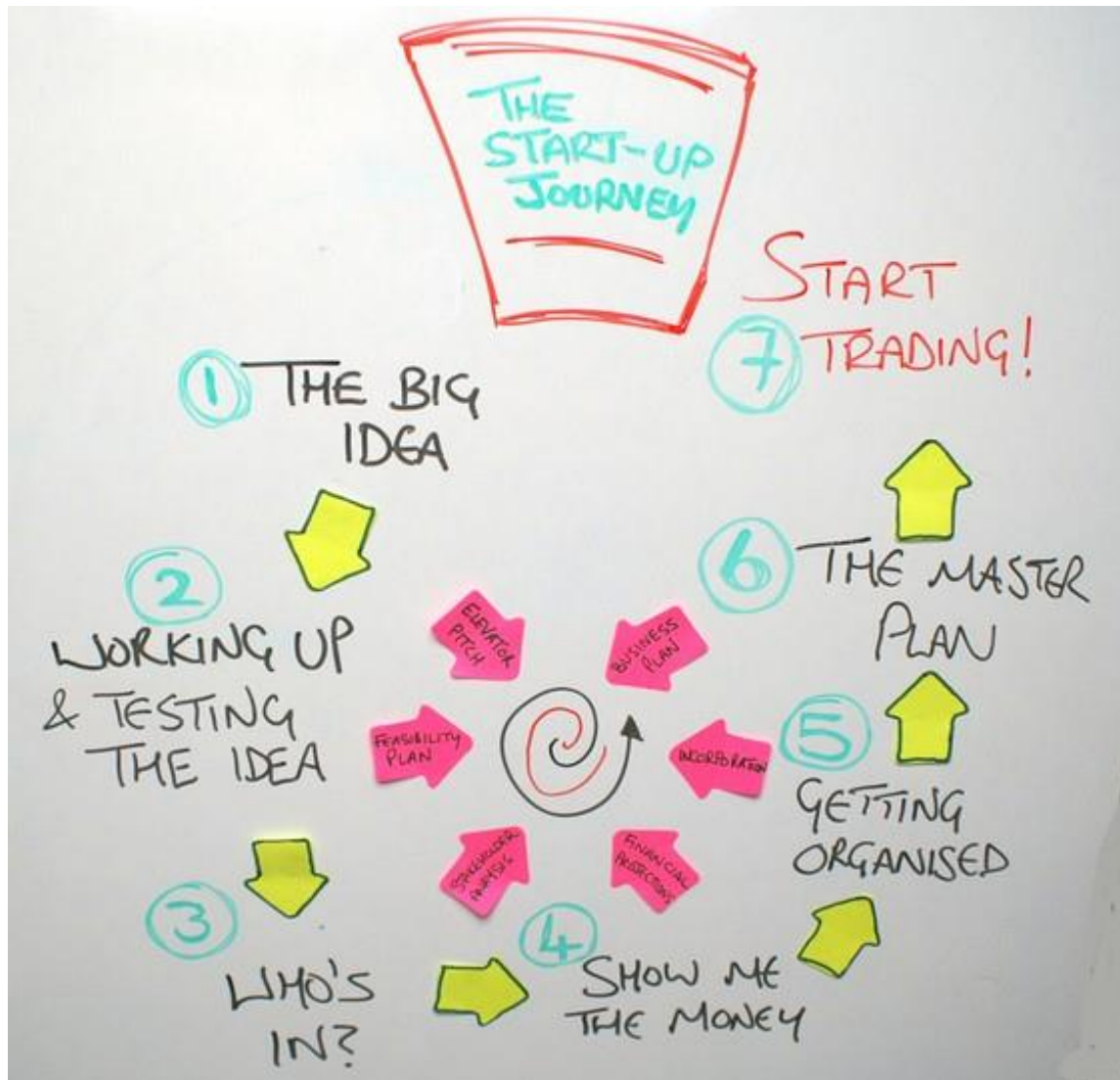


The REconomy Project suggests that these principles are aspirational, voluntary and self-assessed – “not something we expect every single enterprise to fully embrace from the beginning. This is not intended to be used as a ‘kitemark’ scheme.”

A list of the characteristics of a Transition Enterprise can be found at the end of this guide.

An overview of the journey

There are many ways to start any enterprise, but however you do it, you are basically involved in a planning and design process.



The typical start-up goes something like this:

1. In the beginning – A Big Idea or opportunity
2. Working up and testing the idea – exactly what do you want to do and is it realistic?
3. Who's in? - Who will own and control this enterprise?
4. Show me the money – putting in the numbers and creating financial projections
5. Getting organised – creating the legal vehicle for the enterprise
6. The Master Plan – a plan of what you intend to do and how you are going to do it.
7. Start trading.

Obviously, you'll then go on to implement your plan and start your enterprise. Within each section, we've included many links to useful tools and resources around managing your start-up and a list of organisations and initiatives who are there to help you with advice, support and funding.

Many people and communities who thought that enterprise was too hard, or not for them, or even that it's part of the problem are now realising that it is possible to create sustainable real livelihoods in resilient economies that don't cost the Earth.

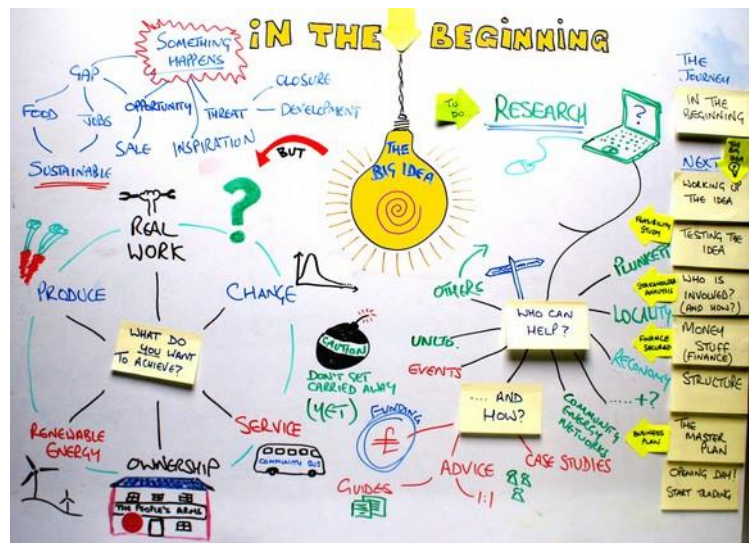
Starting a Transition Enterprise is hard work but very rewarding. Indeed successful Transition entrepreneurs often go on to be involved in further start-ups.

1. In the beginning - The Big Idea.

There are many possible reasons that people start an enterprise, for example:

An idea arises from a chance conversation and is scribbled down on the back of beer mat. You might come across an enterprise elsewhere and think “we could do with one of those in our community”.

For example the Handmade Bakery, in Slaithwaite was the first artisan bakery to adapt the Community Supported Agriculture model and involve their customers as both supporters and investors. Since they began they have inspired many others to develop the model and have even delivered courses in how to do it. thehandmadebakery.coop



An opportunity arises. This might be the sale of a local asset or business or a particular funding pot.

For example Unicorn Grocery in Manchester, a medium sized worker co-operative wholesome food retailer, has twice grown as a business by seizing such opportunities. Using finance from their supportive customers, they have purchased the building that they formerly rented and have also acquired agricultural land to grow produce for their shop. They also have an excellent “Grow a Grocery” guide to help others start their own Unicorns. www.unicorn-grocery.coop

A threat may arise, such as an unwanted development, which prompts people to consider what would be a better alternative.

For example many communities have taken over their local pub to prevent it's closure or development into housing. An example of the latter is the Raven Inn community pub in Denbighshire, Wales. The community formed a company that took over the lease of their local to prevent its conversion to housing and the loss of a vital community hub.

www.llanarmon.com/raven

You might find yourself redundant or unable to find work after college and decide to create your own livelihood.

For example AltGen is an exciting new co-operative set up by graduates in response to the lack of real livelihood opportunities for them and others. They have created their own livelihoods by supporting other 18-29 year olds to set up workers co-operatives as a way of “reclaiming control over our work and creating a more equal and sustainable future.”

www.altgen.org.uk/

The REconomy Project has produced a report **The New Economy in 20 Enterprises**, which includes some of the examples above and many more. The report can be downloaded from www.reconomy.org/inspiring-enterprises/

Sometimes it goes no further than this

Many enterprise ideas never proceed beyond this stage. After the initial enthusiasm, the cold light of day makes the idea seem less attractive; there is a lack of confidence or time to develop the idea etc. etc.

But some of these ideas are worthy of further work. To be fair even some of the less realistic ideas are worthy too as they can often lead to a more viable idea with a bit of reworking. All you are really expending is your time and brainpower at the moment, so you can indulge the ideas and let your creative juices flow.

It is possible that someone else has already created an enterprise similar to your idea. Even if your idea is new, you may be applying a model that has been used in another area. A classic example of this was taking the Community Supported Agriculture model and applying it to bread, firewood, orchards and vineyards. Go and visit a similar project and learn from their experience. Most enterprises operating in the area of sustainability are keen to help and it often forms part of their social mission. From time to time funding is available to help this “peer to peer” learning.

Key outputs

The seed of an idea, worthy of further research and discussion with others.

✗ Pitfalls and common errors

You can't really go too far wrong at this stage, you're only investing your own time. The only thing to avoid is getting too many other people committed to an idea if you're not sure that you (or anybody else) are going to carry it forward. You should also try to avoid picking up the phone and taking up the free time of support providers, such as those listed below, until you have done a little more work, have read their downloadable resources and are clearer about what you want to do. Working your idea up, to the point where you can usefully involve others, will be covered in the next chapter.

Who can help?

There are many associations and infrastructure organisations that exist to help start-up enterprises in the “Voluntary Community and Social Enterprise (VCSE)” sector. Some often specialise in a particular type of enterprise or sector. A full list of these support organisations can be found in the appendices at the end of this guide. Some of the more common ones associated with Transition Enterprises are listed below. Use their resources to explore the possibilities in the context of what others have done when faced with a similar opportunity or challenge:

Locality – the leading nationwide network for community-led organisations. Lots of resources, particularly around taking ownership and developing community assets. locality.org.uk/

Community Energy England – a not for profit network for the community energy sector. Lots of resources including start-up. communityenergyengland.org

Community Energy Scotland - www.communityenergyscotland.org.uk

Co-operatives UK – representative body for UK co-operatives. Case studies and start-up resources www.uk.coop

Plunkett Foundation – development charity, supporting rural community enterprise. Particularly active with community food, retail and pubs. www.plunkett.co.uk

Community Supported Agriculture Network UK – supporting community partnership approaches to sustainable food enterprise. www.communitysupportedagriculture.org.uk ; and www.soilassociation.org/communitysupportedagriculture ; and CSA network on Facebook www.facebook.com/CSACommunityUK

Power to Change Community Network – A Lottery initiative to support community enterprise. Support programmes are already underway, including the first grants programme. By the end of the 2015 they aim to have provided some £9m of funding and support to community businesses in England. <http://www.thepowertochange.org.uk> ; and locality.org.uk/projects/power-change/

2. Working up and testing the idea

As you develop your idea, your commitment to it, and you need to start to engage with others, it is worth exploring and formalising a few things in a bit more detail. This stage in your journey is often called “Pre-start”. You will start to create things that you can share with others; maybe a Facebook page or a formal project overview or a “Project Initiation Document”. You may even produce a marketing plan or feasibility study, in order to demonstrate to yourself and to others that your enterprise is workable and worthy of further work and support.



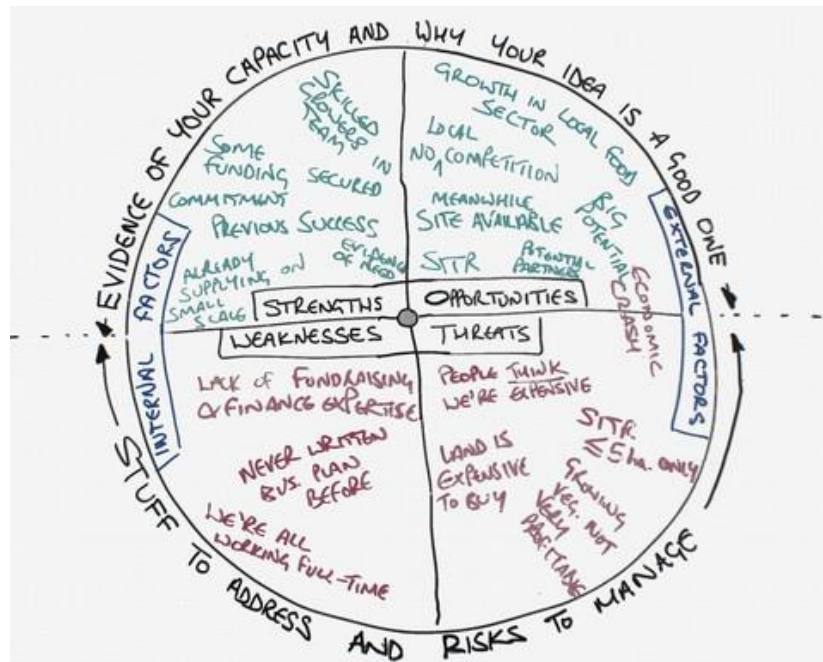
Working up the idea – your vision, motivation and commitment



Why are you doing this and what do you want to achieve? People will want to know. A formal statement of this will go on to become the “Objects” of any organisation that you create. It's always good, if you are working as part of a group, to explore your common vision to check whether you are all paddling in the same direction or maybe some of you need to build another canoe, albeit one that will have a similar journey.

There are many techniques around developing a common vision. Many of the most popular follow a process like this:

1. The group establishes a common understanding of where they are now and why they are here.
2. The group members, imagine what the successful creation of the enterprise will look like at some point in the future.
3. A facilitator records (normally on a flipchart) the different outcomes, to create a sort of “sweetie jar” of possible outcomes. At this stage nothing is considered as unrealistic.
4. The group then take a more structured view of the current reality, often using a SWOT analysis – recording the:
 - Strengths and Weaknesses of the group (internal factors)
 - Opportunities and Threats to the enterprise (external factors)
5. Using the SWOT analysis as a reality check, the group then draw up a list of achievable outcomes that are consistent with each other, that everyone is happy with and that they will commit to. It is often at this point that difficult conversations around the motivations of those involved will be useful.



If you are a group, you should now have a shared commitment to what you intend to do, why you are doing it and a knowledge of some of the challenges that you will face on the way. If you are on your own, you still have the same information, but a bigger workload. The next stage is to test the viability of the various different options you have to deliver your enterprise idea.

Testing the idea – your business model

As you are planning to start an enterprise, you need to ensure that there is a viable trade involved. If all you are planning to do is campaign for a change, or own a community asset in trust and not actually deliver a product or service, then that's fine, but it's maybe not an enterprise. Equally, trading in order to create social change, or safeguard an asset, is fine too, but we do need to take the enterprise part seriously if it is to meet your other aims.

In exploring your business model, you should work towards answering the following questions:

- What is your product or service?
- How you are going to deliver it?
- Why will people want it?
- Who else is already doing it?
- As you are intending to be a Transition Enterprise – how are you addressing the regenerative or ecologically sustainable element of our enterprise? This will form part of your Unique Selling Point or USP.
- How much do you sell your product or service for? Getting this wrong and selling too cheap is one of the main reasons for start-up failure.
- How much of your product or service do you need to sell to “break even”?
- And, importantly, do you have everything you need to deliver it?

The process of gathering the information needed to answer the questions above is known as “market research” and the presentation of it is known as a “marketing plan”.

At this stage you can also start to collect information relating to possible premises, equipment, suppliers, staff requirements etc and start to budget for how much money you'll actually need upfront to get started.



Marketing people often refer to all of this as the “**Marketing Mix**” or “**the 4 P’s**”:

Product (or Service)	Price	Place	Promotion
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or putting the right product, at the right price, in the right place at the right time.

Key outputs

1. The Elevator Pitch or Project Overview

It's a good idea to develop your idea into a short document which quickly and clearly lets people know what you're doing and how they can engage with you. This will later develop into the **Executive Summary** of your **Business Plan**. This overview should include a description of what you are going to do and why you are doing it. This information will be related to your vision and commitment from above and will often form the “**Objects**” of whichever legal structure you go on to create.

2. The Marketing Plan

This is a thorough exploration of your product or service, who might want it, how much they're prepared to pay and how you are going to deliver it. The marketing plan is focussed on your products or services. There are many free marketing plan templates available on-line.

3. A Feasibility Study

This is a report pulling together all your research and evaluation, including the information in your marketing plan. It will be evidence as to whether the enterprise as a whole is viable and feasible and give a rough idea of the figures in terms of money needed to start, pricing of your product or service, turnover needed to break even and overheads. It may also consider possible sites and premises and potential sources of finance.

The key purpose of this exercise is to let you know whether it is worth proceeding and committing more resources to your project. It will also provide much of the information that you will later include in your Business Plan.

Next steps - at the end of this stage, you have three choices:

1. **Just stop** as maybe the figures don't add up or, on reflection, you don't have the time, skills or energy to proceed.
2. **Go back and redesign** the enterprise (change the model, costs, products etc.) so that it becomes feasible.
3. **Carry on;** the idea and enterprise look realistic and achievable. At this stage you are in an ideal position to engage with an advisor who can help you work up your idea further, engage with funders and create the enterprise.

✗ Pitfalls and common errors

The most common error at this stage is to ignore it or skip over it, getting bogged down in the fine detail of structures and finance without having a clear idea of what you will actually do. This is the equivalent of starting to build a house without proper foundations – it will cause problems later on.

Another common mistake at this point is getting carried away with the great thing that you want to achieve without starting to explore whether others share that passion, are willing to trade with you and make your enterprise idea viable.

Take home message: Do not skip the market research.

Who can help?

Whilst the bulk of business support available to Transition Enterprise, is aimed at organisations that are already past this stage, there is often some support available for **this pre-start** phase. This support recognises that money spent at this early stage will ensure much more effective use of any finance and funding later. For organisations developing social enterprises, there is an ever-changing variety of grant funds available, some of which can fund a professional advisor to work with you. For a full overview of these funds and other finance options, visit the REconomy Project website: www.reconomy.org/inspiring-enterprises/investment-show-me-the-money/

There are loads of free business related resources available on-line. One useful site is BusinessBalls.com

If you are a lone entrepreneur then there are a variety of organisations which can support you to develop your ideas and capacity, including:

UnLtd who have numerous funds aimed at budding social entrepreneurs to develop and explore their enterprise ideas unltd.org.uk/ ; and

The School for Social Entrepreneurs, who support individuals who are starting and growing social enterprises and community organisations through their action-learning courses: www.the-sse.org/

There are also various trusts that fund personal development, such as:

CLORE Social Leadership programme who fund their fellows to develop into “leaders with a social purpose so that they can transform their communities, organisations and the world around them.” www.cloresocialleadership.org.uk

3. Who is involved and how?

There are numerous possibilities around the involvement of people in the enterprise, from just you operating as a sole trader to “fully mutual” co-operatives where the enterprise is owned and controlled by everyone it trades with. The process of the running the enterprise, by those who own and control it (the members) is generally referred to as its **Governance**. You can create an enterprise with pretty much whatever governance you want; the trick is to get it right from the start.

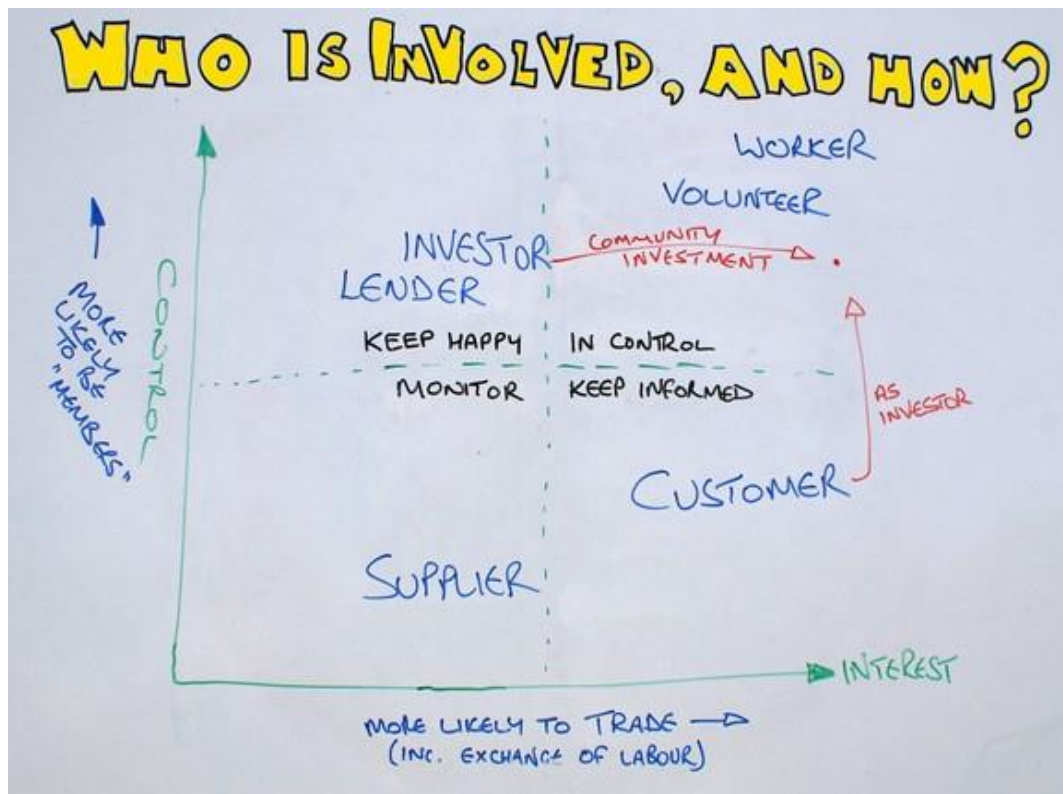


A good way to get a handle on this issue is to conduct a stakeholder analysis, listing all the different stakeholder groups of the proposed enterprise, for example:

- You (and possibly others as founders).
- The customers of the enterprise.
- The people who work in the enterprise.
- The local community.
- Any community of interest, for example all the growers in a region.
- Any user of the services of the enterprise.
- Suppliers to the enterprise.
- Etc.

The key thing then is to identify the nature of the relationship of these stakeholders with the organisation, for example.

- A trading relationship as customer or supplier.
- Ownership and control of the enterprise.
- Finance the enterprise through loans or shares.
- Passive supporters.
- Just need/want to be kept informed of activity/events/offers.
- Any combination of the above.



The results of this stakeholder analysis are particularly important in helping you to determine the membership, structure, finance and business model of the enterprise. For example if we consider a community supported agriculture scheme growing organic vegetables for local people. Depending on the people on the ground (your stakeholders), you could have 3 different workable models for the enterprise:

1. **Grower led** – The whole enterprise is owned by the grower(s) and whilst the local community are supportive, engaged, signed up to a veg box and maybe volunteer, there is no governance role for them.
2. **Community led** – The customers in the community own and control the enterprise and either use voluntary labour or employ a grower.
3. **Multi-stakeholder** – The enterprise is jointly owned and controlled by the customers, workers (and sometimes other suppliers).

There are healthy working examples of all 3 models (and other models) trading profitably in the UK. The exact choice depends on your particular circumstances. **Design the enterprise that works for you.**

Once you are clearer around who is involved, you can start to explore how they are involved. If you start to break down the outcomes that we defined in the commitment stage of the previous section, you will rapidly find that there are different interdependent jobs that need doing. If you cluster related or similar jobs together, you will create a **"work-stream"**. It will often make more sense, where there are a group of people starting up an enterprise, for smaller sub-groups or working groups to form around these different work-streams such as structure, finance, marketing etc. It also makes sense for the whole group or even another sub-group to meet to oversee all these different work-streams and ensure that they are integrated. This group is often referred to as a **Steering Group** and often goes on the form the first Board of Directors of the legal structure which is later created.

Key outputs

Stakeholder analysis – A clear understanding of who will own and control the enterprise and who will have a trading or supportive relationship with the enterprise. This information will feed into the structure of the enterprise, identifying who will be a “member” with ownership and control. Knowledge of who will be the customers will feed into the marketing plan.

Working groups – Work-streams are defined and associated sub-groups are created to work on those different work-streams with a clear idea of what they have to do by when.

✕ Pitfalls and common errors

Over complicated ownership - There is often a desire to create the most inclusive and democratic enterprise and this may indeed be the most appropriate structure, but it is important to bear in mind the following:

Disengaged members – Members own and control the organisation and their active involvement in the running of the enterprise is critical. If they join merely in order to trade with the enterprise but don't get involved beyond that, maybe it would be better that their role was just as a loyal supportive customer rather than as member, leaving the membership to those with a stronger trading relationship like the workers (work being the trading of labour).

Too much responsibility falling on too few shoulders – Be wary of people taking on too much. It is often a good idea to ensure that at least two people are working on each element of a particular work-stream, to allow them to support (and monitor) each other.

Who can help?

It would be common for you to use any business advisor, that you are working in at this stage, to facilitate the stakeholder analysis.

There are useful on-line interactive tools and templates for example those at www.mindtools.com which will allow you to create a stakeholder analysis similar to that in the infographic above.

An easy to use on-line project management tool that fits very well with collaborative management using working groups is trello.com. This allows you to co-ordinate activity across different work streams. See also the project management appendix to this guide.

4. Show me the money – funding and finance

Most start-up enterprises require some money in order to get going. This money is typically needed to buy the tools and stock to make the product or to develop the infrastructure to deliver the service, including paying for things such as utility bills, wages etc. until the business starts to generate some income. This money is known as start-up finance and is just for the start-up phase. An enterprise should not be permanently reliant on injections of finance.

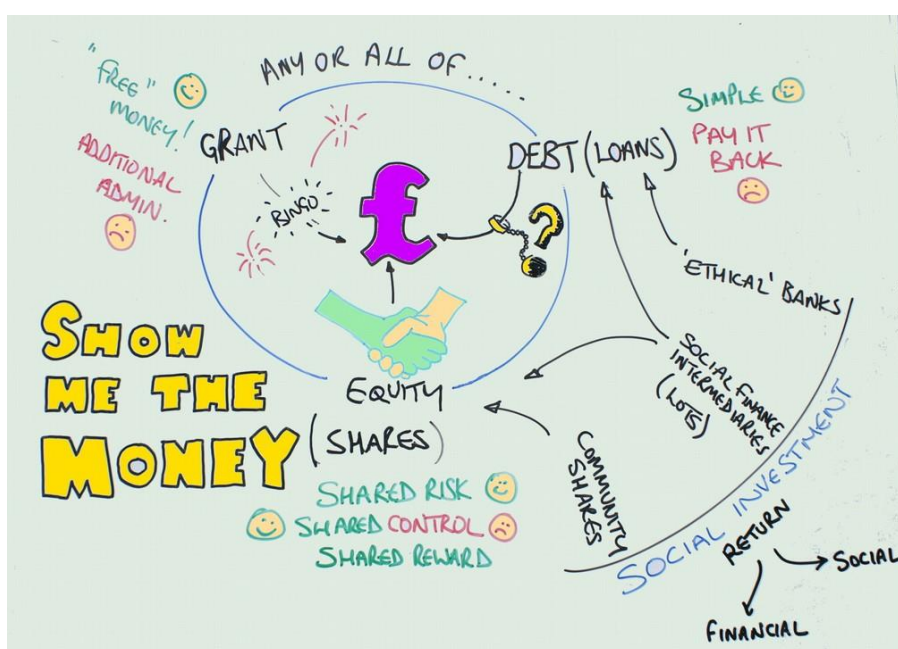


It is always worth exploring whether a business can start without finance and expand slowly. For example Suma Wholefoods, a multi-million pound business began as a simple food co-op in a front room in Leeds. A market stall might allow you to test your idea before looking at taking on a shop.

We can categorise start-up finance into 3 main types:

- **Grants** – money that you don't need to repay, but normally do need to spend in accordance with the wishes of the funder.
- **Debt** – money that you do need to repay, normally with some interest.
- **Equity** – money that is invested in the enterprise (normally as shares), may be withdrawn at some point in the future and normally gives rights to the investor to receive a share of any profits. Equity also normally gives some degree of control over the enterprise. Many Transition Enterprises are using community investment to fund enterprises, particularly renewable energy projects. For a full overview of community investment, visit the Community Shares Unit website www.communityshares.org.uk

There are other less commonly used forms of finance, such as quasi-equity and revenue share, which are outside the scope of this guide.



The pros and cons of the different types of finance are summarised in the table below:

Type of finance	Pros	Cons	What you have to prove to funder	Do you have to repay?
Grant	Free money	Often fails to create a sustainable enterprise Often requires a lot of admin	Ability and capacity to deliver outcomes	No*
Debt (Loans)	Forces you to create a financially viable business	Has to be repaid and with interest Debt can be part of the problem we are trying to address	Ability to repay (or presence of security) and to deliver social impact	Yes
Equity (Shares)	Shares the risk with others	Often dilution of control of founders	Ability to deliver social impact and pay a return	Yes dependent on success of enterprise

* You should be aware that if you fail to deliver the things that you promised in your grant application, you may be required to repay some or all of it. Don't over-promise.

The REconomy Project has created a comprehensive searchable listing of (seemingly) appropriate providers of the above types of enterprise finance, which can be accessed here: www.reconomy.org/paid-work-map-uks-investment-market-for-community-enterprises/

Crowdfunding

There has been a massive expansion in the use of crowdfunding in recent years. Crowdfunding is not a different form of finance, merely a different way of accessing grant, debt or equity finance by marketing it on-line. Enterprises seeking crowdfunding create a web page on a crowdfunding site, which promotes the enterprise and describes the nature of the crowdfunding offer including any returns or benefits to those contributing. Supporters, lenders and investors can then pledge or otherwise commit to gift, or lend money, or buy equity.

Crowdfunding is particularly useful for the more risky funding in the early stages of an organisation's life as supporters are more likely to take a risk with a small amount of money and "invest" with the heart not the head. Crowdfunding is also particularly suited to raising finance to purchase a particular asset such as a building or an oven – something you can take a picture of and say "you helped us buy this".

Crowdfunding campaigns often have a target amount and in this case no money is transferred if that target isn't reached. Others give the option to pay up front and will receive all the money pledged whether the target is reached or not.

The advantages of using crowdfunding are:

- You can attract lots of small contributions easily.
- The crowdfunding can act as a marketing tool for the other activities of the enterprise.
- You can demonstrate support to other funders.
- You can easily access the sort of people likely to support you in this way, as they are often already engaged with the crowdfunding sites.
- Crowdfunding sites remove a lot of the administrative burden around engaging with, and taking money from, lots of supporters. They will normally take their commission though.

There are links to crowdfunding platforms at the end of this chapter.

Social investment

There has been a lot of interest and government money put into developing new investment products in order to encourage more traditional investors to consider investing in social enterprise. The idea is that investors can still make money whilst delivering social or community benefit.

There is a lot of support currently available to social enterprises to enable them to become “investment ready” and access these products. However this finance is seen as being relatively expensive and for enterprises looking to build a new “common wealth” the involvement of investors who extract value from the enterprise is unlikely to sit comfortably.

Profit - a dirty word

The pursuit of profit is often seen as part of the problem we are trying to address. As such, Transition and many other social enterprises market themselves as “not for profit”. However unless your enterprise will be perpetually dependent on grant funding, you will have to make a profit or at least break even. If you are using debt finance then you need to be profitable in order to repay the loan and interest. If you use equity finance, your investors will normally expect a return on their investment, again requiring you to make a profit.

Transition Enterprises, and Social Enterprises in general, tend to look at profit in the following way:

- Profit is not the primary purpose of the enterprise. It exists to deliver its social, environmental and/or community objectives not to make money for speculative investors, although it can reward them appropriately for the use of their money.
- Any return on investment is only at a level sufficient to attract the investment in the first place.
- The standard definition of a social enterprise normally states that profits are principally reinvested in the enterprise, however the definition of a Transition Enterprise views profit slightly differently “Transition Enterprises can be profitable, but excess profits are used to benefit the wider community rather than just enrich individuals.”

Financial planning

In order to engage with funders, be they grant giving bodies, lenders or investors, you will need to be fairly sure of your financial projections. You should also, as a result, be confident of your ability to deliver this enterprise as a sustainable project. As part of your business planning, you would normally create the following documents (typically as spreadsheets), covering at least the first 3 years of trading,:

- **Cashflow projection** – a prediction of all the actual cash that will flow in and out the enterprise over time. This allows you to see easily whether you'll run out of cash or not.
- **Profit and loss projection** – a summary of incomes and expenditure allowing you to see how profitable the enterprise will be as the enterprise trades over time.
- **Balance sheet** – a predicted snapshot of the assets and liabilities of the enterprise at a given time; what the business is “worth”.

You would normally create these documents for any start-up enterprise and, as a result, there are many worked examples and templates available on-line.

Of course there are lots of other things to consider, such as tax, business rates etc., but again these are common business issues and there are lots of resources and advice available out there.

Key outputs – all feed into the Business Plan

Financial projections – cashflow, profit and loss, balance sheet

Budgets – plans of how much you'll need to spend up front before trading and how much you'll need to pay your bills before you start receiving income.

A plan of where you intend to source your finance and the blend of the different finance options you will use.

✗ Pitfalls and common errors

Unrealistic assumptions – your financial projections will depend on some underlying assumptions around the demand for your product or service, your ability to supply that demand and your costs. Failure to test these assumptions will make your projections inaccurate. Many start-ups overestimate demand and underestimate costs.

Designing for grant funding – Many enterprises start with grant funding to support costs like wages and then fail when the grant funding runs out. There is nothing wrong with grant funding as such, but you should be confident of your projections post-funding and confident that the underlying business model is financially sustainable.

Heart vs. Head - Where you are taking other peoples' money to finance your enterprise, you have a duty to ensure that not only do you sell the impact of the enterprise, but you also accurately demonstrate the strength of the underlying business and also are clear that investors may lose some or all of their money. There is sometimes a tendency to oversell the benefits and downplay the risks.

Who can help?

There are often funds available to help you employ professional advisors to help with your financial planning. You can find some of these funds in the REconomy Project investment providers database www.reconomy.org/paid-work-map-uks-investment-market-for-community-enterprises/

If you are intending to raise debt or equity finance, there are two such funds that are particularly relevant to Transition Enterprise in England, all aimed at supporting social and community enterprise:

1. Power to Change, providing funding and support for community enterprises
www.thepowertochange.org.uk

2. Big Potential, aimed at supporting existing enterprises looking to seek social finance.
www.bigpotential.org.uk/

Other analogous funds, normally Lottery based, are available in the devolved nations.

There are lots of **free business related resources** including financial planning templates, available on-line. One useful site is BusinessBalls.com

Co-operatives UK have created a guide, **Simply Finance**, aimed at Co-operative and Community Enterprise, it can be downloaded from www.uk.coop/simplyfinance

Community investment – if you are intending to raise money from your community then the Community Shares Unit have an excellent website, packed with resources and case studies at:
www.communityshares.org.uk

Social Investment Explained guide produced by Social Enterprise UK, available to download from Big Potential site: www.bigpotential.org.uk/resource/social-investment-guide

Top 40 Crowdfunding sites, a REconomy blog post by Josef Coates Davis. Slightly old now but still useful:
www.reconomy.org/top-40-platforms-for-crowdfunding-social-change/

UK Crowdfunding Association – for an up to date list of their members, visit www.ukcfa.org.uk/members

5. Structure – creating a legal vehicle for your enterprise

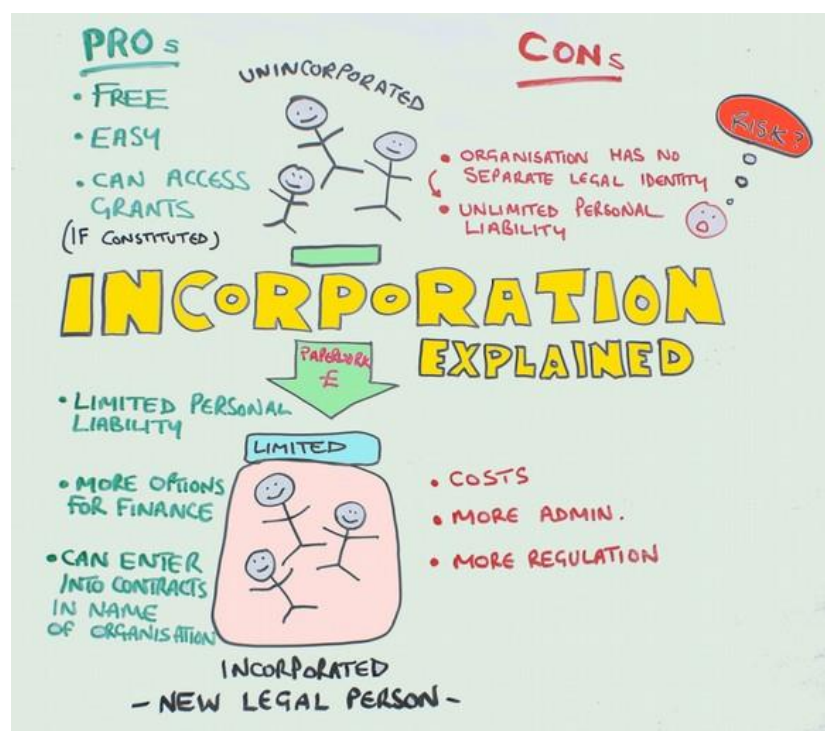


At some point in the start up process, you will need to decide what you are going to create as the entity that will own and control the enterprise. This is known as your “**legal form**” In the UK, there are a lot of different possible legal forms and as a result people find this choice difficult and often get stuck at this point. If you start your enterprise without registering a legal form, you will automatically have an **unincorporated** legal form. You will be either:

- a **sole trader**; if your enterprise is just you
- an **unincorporated association**, if you are a group of people working together for a common purpose **without** a view to profit; or
- a **partnership**, if you are a group of people working together for a common purpose **with** a view to profit.

Whilst there is nothing wrong with doing this, most enterprises create a separate legal entity, to be the legal vehicle for the enterprise, through the process of **incorporation**. This new “legal person” can have a separate existence to its members, which:

- limits the personal liability of those involved (as Members or Directors);
- allows the enterprise to enter into contracts in the name of the enterprise;
- gives more choice with regard to finance; and
- may make people take the enterprise more seriously.



The commonly incorporated UK legal forms used by Social Enterprise are listed below:

- Company - either limited by Shares or Guarantee
- Community Interest Company (CIC) – again either limited by Shares or Guarantee
- Co-operative Society
- Community Benefit Society
- Charitable Incorporated Organisation (CIO)
- Limited Liability Partnership (LLP)

Before we proceed we should distinguish between this **legal form**, which is how the law regards the enterprise, and **organisational type**, which is how you regard it and present it to the world. For example **social enterprise** is an organisational type which might use a company, society, community interest company or partnership as its legal form. Common organisational types include:

- Social Enterprise
- Transition Enterprise
- Community Enterprise – an enterprise owned and run by a geographical community or a community of interest.
- Co-operative – an enterprise owned and run democratically by those who trade with it.
 - Worker co-operative – owned and run by its workers
 - Housing co-operative – owned and run by its tenants
 - Consumer Co-operative – owned and run by its customers
 - Co-operative Consortium – owned and run by other businesses which use the services of the co-operative.
 - Multi-stakeholder Co-operative – a mixture of any or all of the above.
- Community Land Trust – an organisation created to hold land for community use.
- ...and many, many more.

You can have several organisational types, but you will have only one legal form.

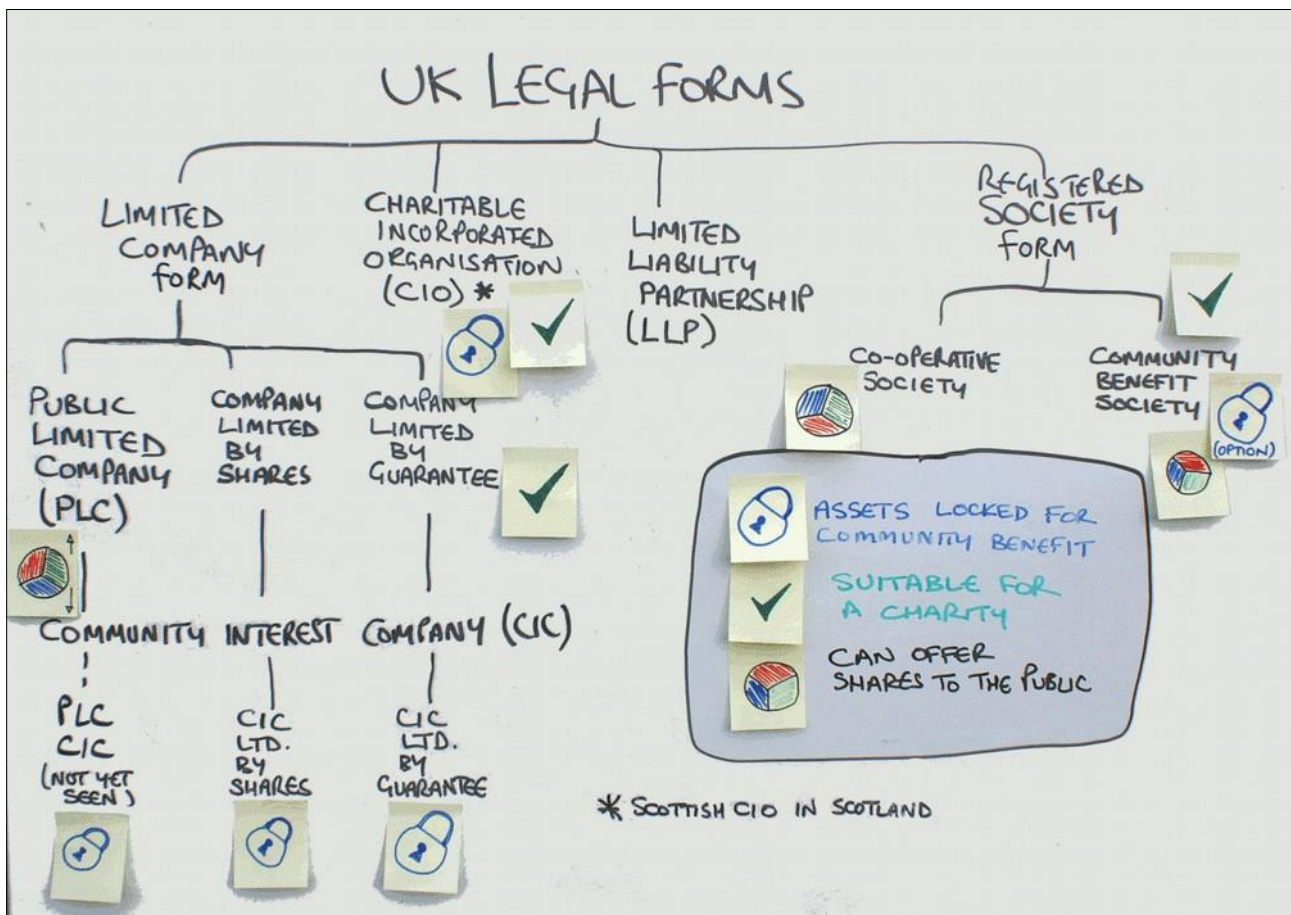
Choosing your legal structure

As you can see we have a lot of choice when it comes to **legal form** and it is this that leads to confusion. The best legal form for your enterprise will depend on several things. The key dependencies are:

- Exactly what you are going to do – your trade
- Who will own and control the enterprise – your governance
- How you will raise the money - finance
- What you will do with any surplus or profit – application of surplus
- What you will do with your assets if you wind up – dissolution and ownership

You should have determined much of the above through the planning in the earlier sections and now be ready to find the perfect legal form to fit exactly what you want to do. Do not choose your legal form and then design your enterprise to fit – this is a common error at start-up. Be wary of advice to create a legal form without a thorough look at exactly what sort of enterprise you want to create.

There are several tools to help you choose your structure, such as Co-operatives UK's select-a-structure tool, www.uk.coop/selectastructure and this would be an important stage in your start-up to involve an expert to support your choice and help register it with the relevant regulator.



An overview of the common UK legal forms

Temporary structures

It is common for an enterprise to create a temporary unincorporated association to carry out the early parts of start-up. This allows you to obtain a bank account, seek funding and provides a structure to co-ordinate different working groups. Once the more formal structure is created the temporary unincorporated association can be wound up.

So what about being a Charity?

If it weren't complicated enough, there is a third factor when looking at your structure. A Charity is any organisation that by virtue of what it does and how it is organised can have Charitable Status, which exempts it from the payment of some taxes. Most Charities are registered with the Charity Commission.

So an enterprise will have one legal form, one or more organisational types and may or may not have Charitable Status. Unincorporated associations can have Charitable Status.

The primary trade of a Charity has to fall within a list of charitable purposes and they have significant constraints on their governance and use of income and assets. Just because you are doing something worthy doesn't mean that you should automatically apply for Charitable Status – it may make your business or organisational model difficult whilst delivering few or no benefits.

Key outputs

Incorporation – Organisational type decided and legal form registered.
Once registered, you can apply for a bank account.

✗ Pitfalls and common errors

Creating a structure to suit a particular grant funder rather than to suit the enterprise and how you want to run it.

Creating a structure involving lots of different stakeholders, due to an understandable desire to be more democratic and inclusive, without first checking that those people actually want to be involved in the governance and understand what that entails. A good stakeholder analysis will help with this.

Who can help?

Co-operatives UK, Selectastructure tool. An on-line questionnaire which indicates the choice of appropriate legal forms depending on your answers to questions about the enterprise and how you intend to run it.
www.uk.coop/selectastructure

Simply Legal Guide. A downloadable PDF guide to the legal forms and organisational types for the Voluntary, Community and Social Enterprise sector. www.uk.coop/simplylegal

Development professionals. The chances are that you will only create your legal structure once, so rather than becoming an expert yourself, it's worth using the services of an advisor who will often help you choose your structure and complete the paperwork.

6. The master plan – bringing it all together

If you've been through the planning processes we have described in the preceding sections, you should now have the following pieces of the puzzle:

- A business model
- A marketing strategy
- A good idea of who else is operating in the same area
- A structure and an idea of who is directly involved
- Financial projections (cash flow, profit and loss, and balance sheet).



The final part of your start-up journey is to put it all together in what is generally known as a **Business Plan** – a plan of your intended journey, over the next few years.

It will typically have the following sections:

- Executive Summary – a quick summary; this is your elevator pitch essentially
- A description of the business – what you're going to do
- A description of the organisation – your structure and governance
- A description of the key people involved – who you are and why you should be trusted
- A description of the product or service
- A description of the social, environmental and/or community purpose of the enterprise – why you are doing it and how will you measure your impact?
- Market research:
 - who will buy your product or service and why?
 - who else is already doing the same or similar?
- Marketing – how you will sell your product or service and why you will do it that way.
- Success factors – SWOT analysis and how you will mitigate risks to your success
- Financial planning and projections (cash flow, profit and loss, balance sheet)
- Finance and funding – where you will get your money to start
- A timeline – what you are going to do and when.
- Appendices – fine detail of anything which might otherwise clutter up the business plan or is supplementary to it. For example, you might include maps, plans, CVs, letters of support.

Your Business Plan is exactly that - **your** plan for everyone involved in your enterprise. It provides a road map for your enterprise to follow and also a benchmark so you can review your progress. Having said that it is your plan, you will often want to show it to others, such as potential funders. In this case it becomes less of a plan and more of a marketing tool and you may want to create a different version for this audience which uses the same figures but is more about selling your idea and your capabilities to deliver it.

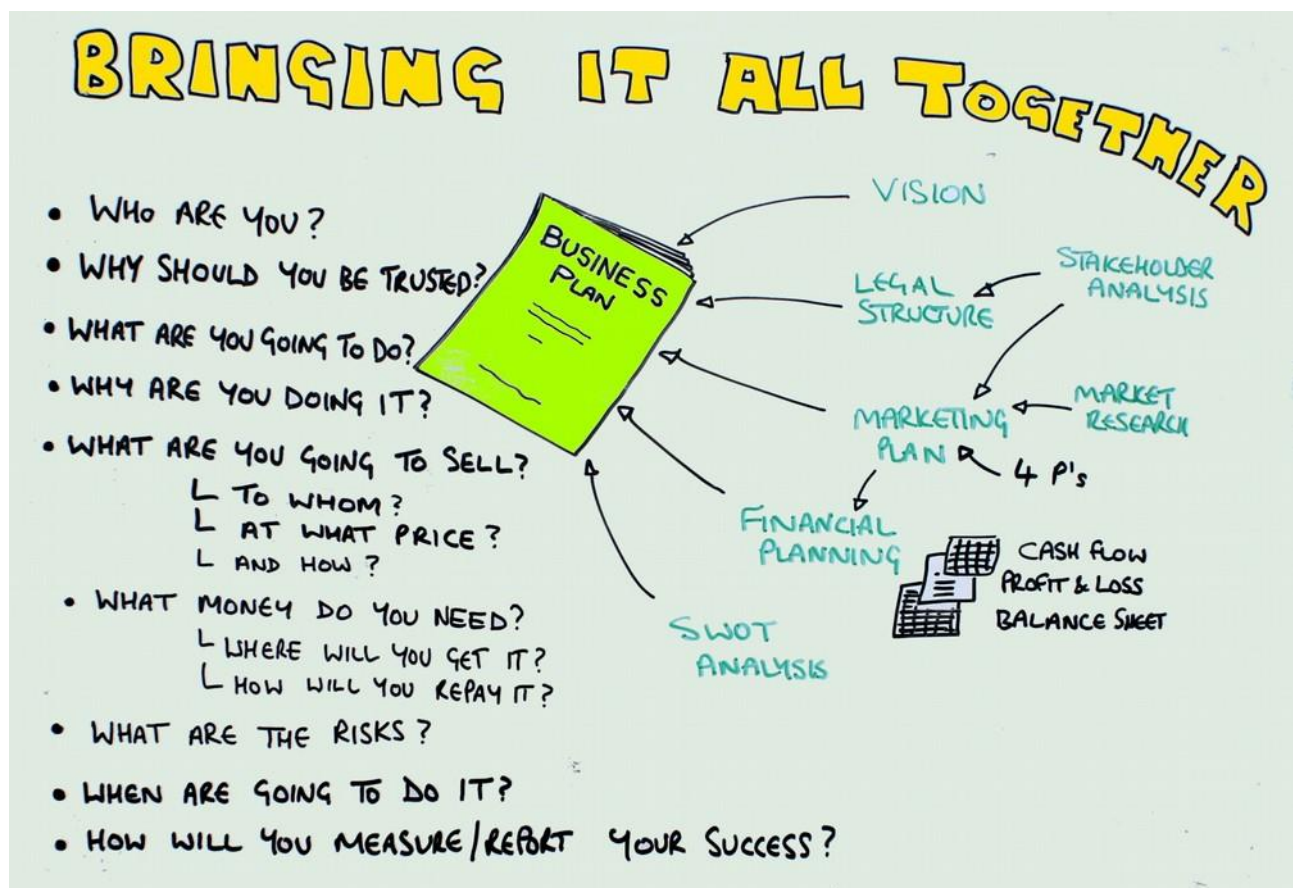
Review and change

Your original Business Plan will contain many assumptions (for example costs and turnover) for which, as you begin to operate, you will now have real figures. As you replace the assumptions, the plan will (and should) change. Your Business Plan should remain a live document down the years. You should be adding to your projections so that you are always looking several years ahead and planning appropriately. If you have a governing body, it is normally their job to own and monitor the Business Plan like a ship's captain would navigate and plot the course on a map.

Key outputs

Your Business Plan - Preferably available in both paper and electronic form, which is regularly updated and easily available to all involved in setting and monitoring the strategic direction of the enterprise.

Your Marketing Plan - Sometimes all of your market research and marketing information, rather than forming a section of the business plan will be better presented as a separate marketing plan. A marketing plan tends to concentrate on a product or service, where the business plan relates to the whole enterprise.



Pitfalls and common errors

Creating a Business Plan that sits in the drawer – Remember that your Business Plan is exactly that – yours. It should be a living document and regularly used to track your progress against your projections. It should also be regularly revised to include real figures and reviewed, so that you are always looking at least 3 years ahead. Putting your plan in the drawer is like travelling without a clear idea of where you're going.

Including too much information – It is always tempting to put large amounts of information in the Business Plan to try and impress those who might read it. It's much better to create a plan that simply tells your story, contains the information you need and refers to where additional supporting information can be found if required.

Who can help?

If you haven't already, this is an ideal part of your start-up journey to involve a specialist advisor. Ideally you should create your Business Plan with the advisor as a critical friend. If an advisor writes your plan for you it is not your plan and you are less likely to take ownership of it. As with other parts of the start-up process, there is a significant amount of support available to source and fund advisors to work with you. A comprehensive list is given in the appendices at the end of this guide.

There are lots of free business related resources including Business Plan templates, available on-line. One useful site is [BusinessBalls.com](https://www.businessballs.com)

The Forth Sector have produced a comprehensive downloadable PDF guide to **Business Planning Guide to developing a social enterprise**, which as well as covering the business plan, also covers much of the ground addressed in this guide, but in more detail and from a slightly different perspective.

www.forthsectordevelopment.org.uk/pages/resources.html

Appendix 1 - Project management

Even if you are creating your enterprise on your own, you will collect a large amount of information, which you will need to organise and undertake a large number of tasks, which you will need to prioritise. If you are starting an enterprise as a group, you have the advantage of sharing tasks and responsibilities, but then you are even more in need of efficient systems to coordinate tasks and share information. These systems may persist into the running of the organisation.

Sharing information

Many enterprises use shared cloud file storage to ensure that everyone has access to the latest versions of documents. Many enterprises also use virtual groups and group email addresses to communicate. Common examples include:

- **Google Groups** – Easy to create group email addresses, can be used without a Google account. groups.google.com
- **Google Drive** – Cloud storage facility. Allows you to share and edit documents collaboratively in real time, with version control. www.google.co.uk/drive/
- **Dropbox** – Cloud storage for files. Integrates well with other tools. www.dropbox.com/

On-line Project Management Tools

There are many useful on-line complete project management systems which combine communication, information sharing, task allocation, meeting scheduling and even teleconferencing. Some of these tools are free or have free versions. Many of these tools allow you to integrate your shared documents through Dropbox and Google Drive. Commonly used by start-ups and small enterprises include:

- **Wiggio**: A completely free on-line toolkit to allow groups to work together and share information in a virtual workspace. wiggio.com
- **Basecamp**: A very popular project management tool with all the features you could want, but you will have to pay to use it. basecamp.com
- **Trello**: According to Trello, it's an “easy, free, flexible, and visual way to manage your projects and organize anything”. Trello is particularly suited to collaborating across different work streams and can integrate Dropbox and other file sharing tools. trello.com
- **Project Libre**: Again recommended as an open-source alternative to the industry standard Microsoft Project designed for very large projects. www.projectlibre.org
- **Facebook**: Really! Although not designed as a project management tool, many are using it as just that. In fact the Groups facility of Facebook has nearly all of the functionality of a typical on-line project management tool, including integration with many of the other tools you may already be using, such as Dropbox. Additional upside is that your potential co-planners are likely to already be familiar with it. The downside is the risk of allowing your enterprise planning to be subject to the terms and conditions of Facebook. facebook.com

Working groups

Nearly every enterprise will divide up the start-up process into different work areas and allocate these to a working group, where people can focus on a particular area and those with specific skills or experience can best get involved. Where working groups are used it is useful to maintain an overall steering group which co-ordinates the whole process. This steering group is normally, or goes on to be, the governing body or Directors of the enterprise.

Meetings

Even with the large choice of on-line tools available, you will almost certainly need face to face meetings too, particularly to discuss and take crucial decisions. Where you are using work groups they will often have their own meetings which report back to the meetings of the steering group.

Who else can help?

There are many resources available around group working, meetings and decision making, but particularly recommended are:

The DIY Committee Guide site www.diycommitteeguide.org has many useful resources including guides to keeping minutes and committee roles.

Loomio: An excellent on-line tool for facilitating virtual discussions and making decisions. www.loomio.org

The **Seeds for Change** web site has many useful resources, including a PDF download of their excellent **Consensus Handbook** www.seedsforchange.org.uk

Appendix 2 - Who can help?

This list was current in early 2015, there may now be others who can help – this is a very vibrant area of activity.

Generic support

- **REconomy** – The REconomy Project is part of the Transition Network, a global grassroots movement of communities seeking to strengthen their resilience to problems including climate change, rising energy prices, economic uncertainty and inequality. www.reconomy.org

The REconomy Project has produced a report **The New Economy in 20 Enterprises**, which includes some examples of new enterprises. The report can be downloaded from www.reconomy.org/inspiring-enterprises/

- **The School for Social Entrepreneurs** – support individuals who are starting & growing social enterprises and community organisations through their action-learning courses. Fee-based though some bursaries are often available. www.the-sse.org
- **UnLtd** – Support for budding social entrepreneurs to develop and explore their enterprise ideas. Lots of different funds and support available. unltd.org.uk
- **Co-operatives UK** – The trade body for the 6000+ Co-operatives in the UK. Resources and guides for those intending to start a co-operative enterprise. www.uk.coop

Co-operatives UK guides include:

- Simply Start-up – a guide to the starting of a co-operative or community enterprise.
- Simply Finance – a guide to the financing of a co-operative or community enterprise.
- Simply Governance – a guide to the effective running of a co-operative or community enterprise.
- Simply Legal – a guide to the legal structures used in the VCSE sector.

All the guides above, and others, can be downloaded from www.uk.coop/start-co-op/resources

- **Radical Routes** - a network of radical co-ops whose members are committed to working for positive social change. Downloadable resources relating to starting housing and worker co-operatives. www.radicalroutes.org.uk

Funders and finance

- **REconomy investment providers database** - www.reconomy.org/paid-work-map-uks-investment-market-for-community-enterprises/
- **Community Shares Unit** – Government supported unit run by Co-operatives UK and Locality to provide a dynamic resource hub for enterprises using community shares. communityshares.org.uk
- **Community Development Finance Association** – The network of Community Development Finance Initiatives who provide fair and affordable finance to people, businesses and social enterprises across the UK, supporting local jobs, families and economies. www.cdfa.org.uk
- **Big Potential** – Significant Lottery support programme, including funding. Available to existing social enterprises looking to become investment ready. www.bigpotential.org.uk
- **Power to Change** – £150M Lottery endowed programme providing funding and support to existing and new community businesses. <http://www.thepowertochange.org.uk/>
- **Simply Finance** – Co-operatives UK's downloadable PDF guide to finance for co-operative and community enterprise. uk.coop/simplyfinance

Sector specific support

- **Plunkett Foundation** – Development support for rural community enterprise and village shops and pubs in particular. Many useful resources. www.plunkett.co.uk
- **Sustain** – The Alliance for Better Food and Farming. Have a particularly useful resource for food co-ops. www.sustainweb.org/foodcoops/
- **Funding Enlightened Agriculture** – a network supporting sustainable agriculture. Provide business support and funding. www.feanetwork.org
- **Community Supported Agriculture (CSA) Network UK** – a network of CSA projects and their supporters. Resources and support. www.communitysupportedagriculture.org.uk
- **National Community Land Trust (CLT) Network** – Representative network for CLTs in the UK. Case studies and resources. www.communitylandtrusts.org.uk
- **Federation of City Farms and Community Gardens** – Supports, represents and promotes community-managed farms and gardens across the UK. www.farmgarden.org.uk
- **Growing Together** – Lottery programme of support for community growing, led by Federation of City Farms and Community Gardens. www.farmgarden.org.uk/partnerships/growing-together
- **My Community Economic Development Programme** - Supporting 50 local community groups and organisations who want to take a lead in shaping their economies for the benefit of local communities. mycommunity.org.uk/programme/community-economic-development

- **Community Energy England** – A supportive network of community energy organisation promoting community renewable enterprise in England. communityenergyengland.org
- **Community Energy Scotland** – A supportive network of community energy organisation promoting community renewable enterprise in Scotland. www.communityenergyscotland.org.uk
- **Locality** – Nationwide network of community led organisations. Particular expertise and resources around community asset transfer. locality.org.uk

Other useful resources

- **Transition** related books and movies. www.transitionnetwork.org/support/publications
- **Regenerative Enterprise** – The book Regenerative Enterprise defines the difference between degenerative, sustainable, and regenerative systems. It articulates the four factors of a regenerative enterprise, and the principles for designing regenerative enterprise ecologies. www.8forms.org
- **New Economics Foundation (NEF)** – NEF is the UK's leading think tank promoting social, economic and environmental justice. Their purpose is to bring about a Great Transition – to transform the economy so that it works for people and the planet. www.neweconomics.org
- **Positive Money** – A movement to democratise money and banking so that it works for society and not against it. www.positivemoney.org
- **Permaculture Association** – The Permaculture Association is the national charity that supports people to learn about and use permaculture. They are currently exploring ways to support the growth in Permaculture Enterprise. www.permaculture.org.uk

Appendix 3 – Characteristics of a Transition Enterprise

1. Resilience outcome – Transition enterprises contribute to the increased resilience of communities in the face of, for example, economic uncertainty, energy and resource shortages and climate change impacts. As part of their community, Transition Enterprises are also resilient in themselves, seeking to be financially sustainable and as independent as possible of external funding.

2. Appropriate resource use - Transition Enterprises make efficient and appropriate use of natural resources (including energy), respecting finite limits and minimising and integrating waste streams. The use of fossil fuels in particular is minimised.

3. Appropriate localisation – Transition Enterprises operate at a scale appropriate to the environment, economy and business sector with regard to sourcing, distribution and interaction with the wider economy.

4. More than profit – Transition Enterprises exist to provide affordable, sustainable products and services and decent livelihoods rather than to generate profits for others. Transition Enterprises can be profitable, but the use of their excess profits prioritises the community benefit rather than benefit to investors.

5. Part of the community - Transition Enterprises work towards building a common wealth, owned and controlled as much as is practical by their workers, customers, users, tenants and communities. They have structures or business models which are as open, autonomous, equitable, democratic, inclusive and accountable as possible. They complement and work in harmony with other Transition Enterprises. Some thoughts

An enterprise could operate as any one of a number of different types of legal entity, and still meet most of these characteristics.

‘Regular’ social enterprises today serve society in some way, but often don’t address or respect environmental problems as well. They have a ‘social purpose’ which does not always meet a local community resilience-building purpose.

Unlike most private-for-profits and some social enterprises, the trading of Transition Enterprises should itself contribute to the resilience or wellbeing of the local community (and do no harm elsewhere). For example, it wouldn't import plastic products from China to sell in a local shop to raise money to fund social projects.

We suggest that this is as far as we need to go with this definition at this stage. Perhaps we can better see these as a set of principles that new enterprises themselves help shape? It’s not yet clear what sort of economy we will see emerging over the next few years, or what types of enterprises will evolve out of Transition.

We will revise this definition as appropriate, apply it with caution and develop a means by which we can evaluate against it, as well as its usefulness overall.

The evolution of local economies that have even a small percentage of enterprises meeting these characteristics is a massive shift from our current globalised capitalist economic system. This list is quite possibly unrealistic to find in many enterprises from the outset, but this will become clearer over time.

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