

10 STEPS TO EARNING

your way to earning your way

This short document offers a route map to help small voluntary organisations take full control of their future by building a sustainable income base.

It has developed out of a Department for International Development (DFID) funded project in the south-west of England working with 4 development education centres (DECs) but will be of interest to many in the voluntary or public sectors.

10 Steps to Earning responds to the funding reality facing many small organisations, taking the view that complete dependence on grants is unsustainable. 10 Steps will help broaden your income base – including generating income from products and services alongside grant funding – and secure better control over your future.

10 Steps to sustainability

Our route map outlines 10 steps to get started on generating an income from products and services. Each step outlines important activities. The majority of these relate to the process of developing income generating products or services, though certain key activities are included to improve and develop your organisation's performance, specifically relating to its core operational processes. For many of these activities, we point you towards tools that will help.

A route map implies a journey: this journey is one of organisational development and growth. Whilst maintaining a commitment to your values, this journey will help you to start generating an income from your customers.

Alongside setting up systems and processes, attitudinal change should be fostered. This includes reframing understanding of cost, price and value, focusing on customers' ability to pay as well as their needs, managing according to feedback and results, and, importantly, embracing risk.

Significantly, we think that this journey will also help you improve your efficiency and effectiveness at applying for grants.

Taking the first step

This journey will take time. It should be seen as a continuous and iterative process. We have left it up to you to plan the timescale of the journey so that it fits with other priorities, but we recommend that once you start, you keep the momentum up and try to complete it in under a year.

Don't be daunted by this but instead, get started as soon as possible and take one step at a time.

This journey involves a process of change that will affect your whole organisation. It will need to be managed in order to be effective. Successful change and ultimately, your ability to move in your chosen direction, depends on a number of factors:

- **Having a clear, shared vision**
- **Securing commitment to change from everybody in your organisation**
- **Carefully planning, communicating and monitoring the change process**
- **Committing resources to change**
- **Taking everybody with you**

Read through the 10 steps to familiarise yourself with the journey. You may still have some questions about this journey – we try to anticipate some of these on the back page.

THE SUSTAINABLE BUSINESS DEVELOPMENT JOURNEY

1

Commitment and vision

Review your finances and future fundraising prospects. Would you benefit from a more diverse income base?

Gain commitment from all people within the organisation to this '10 Step Plan', preferably through discussion at meetings. Ensure everybody is on board. Seek to understand any individual fears and resistance to this process and address them.

Review your vision, mission and values and update if necessary to enable income-generating activity.

Identify who will be involved in the process, delegate responsibility.

2

Where are you?

Self-assess your organisation's strengths and areas for improvement.

CS3Quick Perform

Take a good look at existing products and services. Are they contributing to your social objectives? Are they generating income? What is their future potential?

Portfolio & Product Lifecycle Analysis

Think about options for generating income. Do you need new goods or can existing products and services be made to work by improving promotion or delivering to new customers?

Ansoff Matrix

Plan improvements

Identify priority improvement areas from your self-assessment and write a plan setting out when to do this and how.

CS3Perform Toolkit - Action Planning

From Step 2, identify products and services to develop (new or existing) and plan the process by setting out the timescale for Steps 4 - 10.

Identify who will be involved and the resources required.

4

Products and services

Broadly define the products you wish to develop by assessing the '4Ps: Product, Price, Place and Promotion'. Steps 6-7 will also help you answer these questions.

Sketch out what you can at this stage and move on to the next step. Return to steps 4, 5, 6 and 7 until you are sure you have answers to the questions below.

3

4Ps - Key Questions

Product

What is the product/service, what is its purpose, what does it look like, what is special about it (unique selling points), how does it meet the needs of the customer?

Promotion

How do you promote your product and service, what is your/your products current reputation / image, what promotion do your customers respond to, how do you know what works well?

Price

What is the cost of the product, what is the price you will sell the product at, will the customer pay the price, does the price compare well to your competitors prices?

5

Your market

Conduct research to understand your market - size, location, trends, external influences such as policy and technology.

PEST Analysis

Seek to understand your customers by developing a profile of them.

Customer Profile Sheet

Research other players who could be partners or competitors.

Other Player Analysis

Place

What is the marketplace for the product, who are the customers, where are they, what is your relationship with them, where is the product sold, how is the product to be delivered to the customer, how do they access it?

6

Can you deliver

People - which staff (or volunteers) will be involved in developing and delivering the product or service? Do they have capacity and skills to do the job? Does your organisation have the right partnerships and relationships?

Processes - what processes do you need to develop, adapt or improve in order to deliver your product or service?

CS3Quick Perform

9

Implement and monitor

How will you roll out your new product/ service? Involve all people who might be affected, however indirectly.

Do you need further development? What resources do you need and where will you get them?

Loans for Social Enterprise

Identify indicators to monitor success (customer satisfaction, sales figures) and set up systems to collect information.

Understand Your Customers

7

Price and costs

Identify a pricing strategy – is price determined by costs (to generate a profit), by the market (customers ability to pay or competitors' prices) or by delivering under cost to further the organisation's social objectives?

List all costs, fixed and variable, involved in developing and delivering the product or service. Find the break-even point.

Break Even Analysis

Scrutinise core costs and seek to apportion them between projects, products and services so that you know the full cost of all your work. Agree a policy to apply for funding to recover full costs.

Full Cost Recovery

8

Check assumptions

Having identified the main features of the 4Ps, take a step back and test your assumptions. Are they feasible?

Conduct more specific market research with customers on the key aspects of your product or service. Will they buy it?

Assess areas of uncertainty (which may have positive and negative implications) and identify how you will manage them.

Risk Assessment

Predict trends in future income – identify the factors that will determine your income, such as changes in demand, inflation, increased profile. Draw up a cash-flow projection.

Cash Flow Projection

10

Deliver the plan

You have made a number of decisions about the product or service based on sound research. Now set this out in a plan. This will help you implement changes internally and secure support and resources.

Consider how this plan fits into your organisation's strategic (business) plan. Remember you will have different audiences – internal and external.

Business Planning Template

Make sure everybody within your organisation understands the plan, then get started.

WHY MAKE THE JOURNEY?

Now you've read the route map we hope you see the benefits of taking this journey, but we appreciate it requires considerable effort and commitment.

Q Why should we diversify our income base?

A Generating income from a small number of sources makes any organisation vulnerable. Developing a sustainable funding base (and more robust systems, too) gives you control of your future. It also allows you to fulfil your social objectives more effectively and with greater impact.

Q Where can we find resources for this?

A In the short-term, this work will take time, but greater efficiency in the way you work will save more time in the longer-term. This process can be incorporated into the way you work. Use your cycle of meetings and strategic development activities to take this work forward. Earned income is not ear-marked to specific projects like many funds are, allowing you to invest in development.

Develop your relationship with funding bodies, adopt full-cost recovery models and build in the cost of improvement and development to your bids. Explain to funders that you are trying to become more sustainable and they can only approve.

Q How do we tackle customers' resistance to charging?

A Customers can be resistant to paying for services that they have been getting for free. Be honest with them about the reality you are facing. Get them used to charging slowly by adding a subsidised fee to funded projects and make sure you communicate the true costs of the work that you do.

Do you fund the voluntary or public sector?

Organisations seeking to develop a sustainable income base will be more clear about the funds they need from you. This means that applications for funds should be well thought through and realistic. In some cases, your investment will be matched by income generated from paying customers.

Funding bodies can support this process by allocating resources for strategic development to help make this transition and welcoming applications based on fullcost recovery.

Tool box

C3Quick Perform	www.c3partnership.org
Portfolio Analysis	www.mindtools.com/pages/article/newTED_97.htm
Ansoff Matrix	www.quickmba.com/strategy/matrix/ansoff
Product Lifecycle Analysis	www.businesslink.gov.uk
Customer Profile Sheet	www.socialenterpriseworks.org
PEST Analysis	www.socialenterpriseworks.org
Other Player Analysis	www.socialenterpriseworks.org
Break Even Analysis	www.socialenterpriseworks.org
Full Cost Recovery	www.fullcostrecovery.org
Risk Assessment	www.socialenterpriseworks.org
Understand Your Customers	www.socialenterpriseworks.org
Loans for Social Enterprise	www.socialeconomybristol.org.uk
Business Planning Template	www.socialenterpriseworks.org
Cash Flow Projection	www.socialenterpriseworks.org

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