

Business Advice for Refugees

Business planning is one of the essential elements in starting up a new business in the UK, and all business advisers and potential lenders or grant givers will want to see a business plan. However, refugees may not know how a business plan is prepared in the UK, and will need help getting started.

This section details:

- Common factors of refugee businesses
- What refugees need to know about business plans
- The rationale behind business planning
- What needs to be included in a business plan

Common Factors with Refugee Businesses

Refugees, like other minority ethnic groups, sometimes choose business ideas based on small markets. Businesses may also be geographically concentrated, probably because immigrants tend to live close to each other for mutual support, eventually creating enough demand for products or services that meet their tastes and needs.¹ A refugee's language abilities gives him or her more of an open door to their own community and can enable them to build a successful business there. But this can also create excessive competition for the same market and even force some businesses out altogether. While it is rational to use an idea that is successful in the community, it is important to note the effect of too much competition and to take into these factors into account when planning a business.

Businesses in different sectors have different legal requirements. For example, a catering business will need to take account of health and safety, environmental health and food hygiene. A professional business such as accountancy will require certain qualifications. It is important that all these things are considered when advising refugees on the course of business venture they wish to take up.

Why Refugees Need to Know About Business Plans

A business plan is a critical document for anybody who is thinking of setting up any type of enterprise, no matter how small or large the idea or concept for the new business may be. A business plan provides a written format and analysis of the new business. There is, basically, no standard format for business plans, as each new and/or established business will have different items which may, or may not, be applicable to their specific enterprise. It is unique to each business.

However, there are sections that are common to all plans and need to be included.

The business plan is the blueprint for the client's business. It covers every aspect of the enterprise and should not be manipulated in order to show how successful the business might be. One of its main functions at the pre-start stage is to show whether this business idea will work, be viable, and that the owners can generate self-sufficiency and the profits to survive and grow the business. This aspect of the plan becomes even more important if funds have to be put into the business, loans taken out, or commitments made to leases/premises, etc.

A business plan is also the route map for the business. It explains what the business wants to do, where it is going to do it, and how it will achieve its objectives. It should be a dynamic document, i.e. constantly changing in line with the business and amended/adjusted at least at monthly intervals.

Initially most business plans cover the first 12 months of the business. It is usual after that period, to generate longer-term plans covering at least a three-to-five year timeframe.

Business advisers, banks and many other third parties who can be crucial to setting up a business will want to see a business plan. It is important that refugees setting up business can get the help they need with at least a draft.

What Should be Included?

The business plan in its basic form has four main sections:

- Introduction
- Marketing Plan
- Finance Plan
- Risk Assessment

Each of these is divided up into further smaller sections. A simple template is shown below, together with the most basic information required. Once the client has gained in confidence and skills, the plan can be upgraded. If you are helping someone draft a business plan, it will be helpful to work through these basics first verbally, before they draft the plan or visit a business adviser.

A draft Business Plan

Introduction

The business idea: What is the idea you have for setting-up a business? What suitable knowledge and skills do you have? Explain these, and put a profile of yourself in the back of the business plan.

What type of business sector?: Are you going to be a Retailer, Wholesaler, Import/Exporter, sell Services, mail order/catalogue, e-commerce or other?

Where the business will be located: Do you need premises to operate the business? If so what sort, what size, and where will they be located? Can you start the business from home?

What the business will be called: What are you going to call the Business? Do you need to register the name?

Legal structure and ownership: Will you be the only person who owns the business? What type of Legal structure will it have; Sole Trader, Partnership, Limited Company, Co-operative? Will you be employing anybody else?

Marketing Plan

You need to research the market, including all your competitors and possible customers.

The market for the product/service: You must find out if people will want to buy your product or service and what price they will pay for it.

Who will be the customer?: Who is this customer? Are they consumers or other businesses? Try to make up a profile/outline of the most 'average' customer. What geographical area will you supply?

How will the product/service be priced?: At what price will you sell the product? Will there be a range of products at varying prices?

Where will the product be sold?: How/where will you sell the product? A shop? Wholesaler? Direct? Web? Mail Order/Catalogue? Other?

How you will tell customers about the product/service?: How will customers know about your business and its products/services? What will you do to promote the business? How much will this cost?

What backup and/or support is needed?: Will your product need support, Warranties/Guarantees, after-sales service, maintenance?

→ Further information on marketing can be found in the Self-Help Guides.

Finance Plan

Personal Survival Funds: How much money do you need to pay all your bills and still have enough to live on?

Start up Costs: What costs will you incur in setting up the business, i.e. stock, premises, stationery, business cards etc?

Finance Needed/Supplied: Do you have the money for all your start-up costs? If not, where will you get the funds?

Sales Forecast and Profit and Loss: You need to try and estimate at least 12 months sales on a monthly basis, which will become the Profit and Loss Chart. This will show all the money you expect to receive into the business and also all the expenses and overheads. This document will show whether the business can make any profit and can or cannot be successful.

Cash Flow Chart: From the Profit and Loss Chart you can show when actual cash will be coming in and out of the business. This will help to show you when you may have cash problems, the funds you will need at certain times, and give you an idea of how much working capital you may need.

→ This is covered in more detail in the Self-Help Guides

Risk Assessment

This section looks at what you could do if all the expectations of the business fail. This is especially important if the business has loaned money from the bank, or other lender. If the Profit and Loss Chart and the Cash-Flow charts show that the business cannot make the profits expected, you need to decide if anything can be done. For example:

- Can prices be changed?
- Are there other products or services that the business can supply (to diversify)?
- Should the original idea be abandoned completely, and the whole business idea re-thought?

The above is a very simple plan and provides a basic starting point for clients to begin to clarify some detail and thoughts about their business. It will start to raise issues that will need more input and research.

→ A more detailed version and also templates are provided in the Self-help guides.

This information has been produced by Transparency Research for the Refugee Council and is intended merely to act as a starting point. It is not intended to be comprehensive nor to provide legal advice. Independent legal and financial advice should be taken. No legal responsibility is attached to the publisher. Transparency Research and the Refugee Council accept no liability for the accuracy of the information stated.

¹ Monder Ram, David Smallbone, Brian Linnekar and Centre for Enterprise and Economic Development Research (2002): Assessing the potential of supplier diversity initiatives as a means of promoting diversification among ethnic minority business in the UK, 16-17.