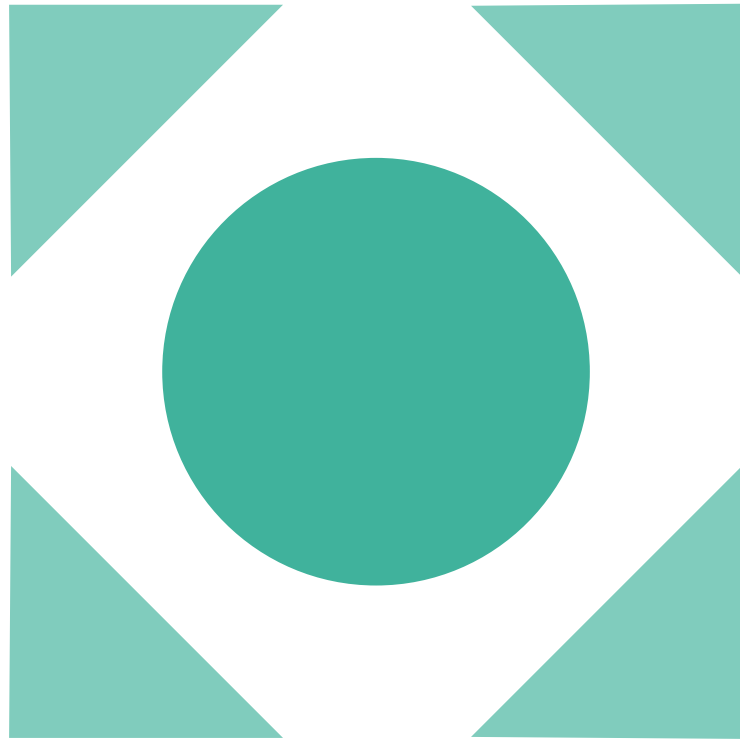




Choosing the right business form





Choosing the right form is a vital stage in business planning if trading and enterprise are to be strategic priorities and sources of income for your organisation.

NATIONAL COUNCIL FOR VOLUNTARY ORGANISATIONS

What's it all about?

Thinking about the constitutional form and legal vehicle your business takes is closely linked with your purpose and aspirations. Whether you decide on a Company Limited by Guarantee, a Community Interest Company or some other form, all will have different implications – issues such as personal accountability, potential liability, and the business' structure and processes. Choosing an appropriate business form requires you to think carefully about your purpose and intended direction. You should also ensure it is your choice and not something that has been imposed upon you.

What's it for?

This tool will not tell you exactly which business form to take. There is now a wide range of options from purely non-profit to profit driven, and you should take legal advice on setting up the right vehicle for you. What this tool will do is help you decide on your main priorities and issues in relation to your future business. Once these are defined, you can seek the necessary guidance on setting up an appropriate legal form.

Using the tool

The following checklist¹ is designed to help you think through the key issues for you in setting up your business:

1. Why do you want to set up a business?
 - a. Products: to sell artefacts or products
 - b. Programme/activities: to run a public programme

1. Adapted from the National Council for Voluntary Organisations/Hempsons Choosing the Right Legal Form questionnaire

- c. Process: to work in a particular way that prioritises a social mission
 - d. Profits: to make profits that you can reinvest in your social mission
 - e. Profits: to make personal profits
2. Who will benefit from your business activities?
- a. The general public
 - b. Specific sections of the community (if you have a social emphasis)
 - c. Specific market segments
 - d. Members
3. What are your personal needs as the founder of the business?
- a. To retain strategic control
 - b. To protect your founding principles
 - c. To earn a livelihood through employment
 - d. To earn a livelihood through shareholding
 - e. To ensure effective succession
4. What is your preferred management structure?
- a. An independent board responsible for strategic control
 - b. An integrated governing body of executive and non-executive members
 - c. A governing body where all members are remunerated
 - d. Accountability to a governing body
 - e. Accountability to members

- f. Accountability to yourself or a partner
5. Who are the key stakeholders in your business?
- a. List your main stakeholders and then prioritise them in order of importance: they could include customers, funders, volunteers, service users, members, staff etc
 - b. Which stakeholders are likely to have a high-level impact on your business?
 - c. How will you engage with the views of your stakeholders (listed above)?
6. How will you fund the business?
- a. Debt finance
 - b. Equity investment
 - c. Grants
 - d. Donations of cash or in kind
 - e. Personal savings
 - f. Contracts
7. Do you require the tax benefits available to a charity?
8. What kind of regulation would best suit your organisation?
- a. Very light touch
 - b. Stakeholder reassurance that assets are locked into the business
 - c. Public reassurance in relation to fundraising
 - d. Higher regulation to promote public confidence

Once you have answered all the questions, read back through your answers and decide how you would prioritise each of them using a 1 – 5 scale (where 1 is low and 5 is high priority).

What does this tell you about the kind of company you want to set up?

What Next?

Think of another business you are working with, or one close to your field that you admire. How much do you know about its constitutional form? How would you find out more about its form? Why do you think it has the legal form it does?

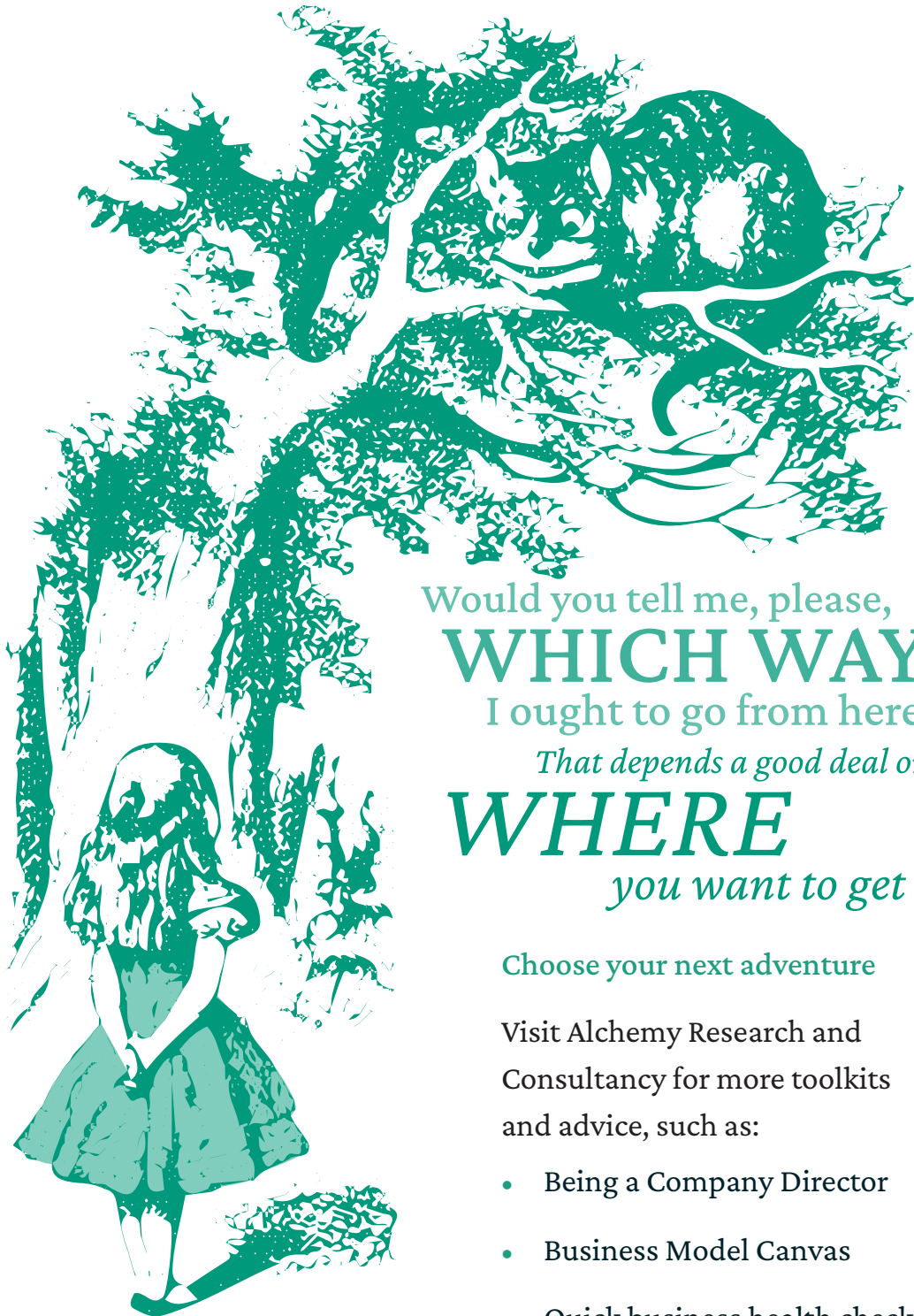
Imagine your business in ten years' time. What form do you think it will take by then?

Quick tips

- Monitor charity and company law or find a good source of advice
- When you have decided on your priorities, review the legal forms that might be most appropriate
- You might like to consider a staged process rather than moving into a full-blown company. Think about working with an advisory group or shadow a governing body first. This might be particularly beneficial if you are the enterprise's founder



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Would you tell me, please,
WHICH WAY
I ought to go from here?

That depends a good deal on

WHERE
you want to get to.

Choose your next adventure

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