

Crime Prevention as part of the Business Plan for rural start-ups

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Abstract

Historically, crime in rural areas has not received as much attention as crime in urban areas from the police, policy makers and researchers. As a result of changing policing strategies and budgets do rural communities have to be more proactive?

This paper aims to encourage the inclusion of a crime prevention risk analysis within the Business Plan of a rural start-up business. By undertaking a review of a variety of existing Business Plan advice available to start-ups in England, it is clear that little or no reference to crime prevention is made in the risk analysis section of the Plan.

By encouraging rural start-ups to consider crime prevention as part of the risk analysis of their business plan, allows this aspect to be incorporated into the business from the outset rather than being seen as an afterthought. It is suggested that, by considering crime prevention at an early stage, the business may prove to be more resilient and more likely to survive beyond the initial five year period where an estimated 49% of small businesses fail.

This paper asserts that government policy-makers, financial advisors and others providing guidance to rural start-up businesses, should amend their guidance to ensure that a crime prevention risk analysis is an integral part of the business plan for start-ups.

By addressing crime prevention from the outset may well result in rural start-ups being seen as a less attractive target by criminals, and therefore lead to a reduction in insurance claims and possibly insurance premiums imposed upon the rural business.

Introduction

This paper will look at the business plan advice available to start-up businesses with a specific focus on England. Business plan advice provided by such institutions as The Prince's Trust, the four main banks, and other Independent Financial Advisors will be reviewed. Particular attention will be paid to the advice and guidance provided by varying advisors in relation to the risk analysis aspect of the business plan, and to what extent crime and crime prevention is considered within this advice.

This paper will also review the way risk management should be dealt with, by suggesting that a separate risk assessment and contingency plan should be included in the business plan.

Business plans are an important aspect for any person considering setting up a new business, and looking to secure finance to assist with the establishment of their new venture. They allow the entrepreneur to order their thoughts and to arrange the aims, objectives and goals of the new business in an ordered way to ensure that all eventualities are considered for the future of the business.

But the range of advice is huge, depending upon where the rural entrepreneur looks for guidance. Whilst some sections of the business plan template are similar across various sources of information, once you move beyond the business idea, the market and the financials, the templates from one advisor to the next can bear little resemblance to each other.

Rural Entrepreneurship

According to the US Small Businesses Administration, an entrepreneur is “a person who organises and manages a business undertaking, assuming the risk for the sake of profit”¹. On the basis of this definition, and others like it, one would make the assumption that risk assessment would be an integral part of any advice that is given to the budding entrepreneur when putting together a business plan. However, in reality this is rarely the case.

When considering business in a rural context, it would be easy to assume that most of these would be farms or farm related activities. However, there is an increasing number of businesses being set up in rural locations that have little or nothing to do with agriculture, and cover a myriad of other activities². This supports research undertaken by the OECD³, whose subsequent report highlighted three key challenges affecting rural areas that have a direct effect on rural entrepreneurship: a decline in traditional employment mainly in agriculture and forestry; an ageing population, coupled with outmigration of young people and in-migration of retirees; and the difficulty of providing business services to support economic development. The report also highlighted the potential opportunities available to rural entrepreneurs, centred on rural amenity and diversification opportunities. However, I would also argue that opportunities exist for those businesses completely unrelated to the natural environment to set up in rural locations and be successful as a result of improved rural transport links and telecommunications.

But how does a rural start-up differ from its counterpart in the town? I would argue that the key identifying features of a rural business are very specific. The first would be the issue of relative geographic isolation. In towns, businesses may be used to having facilities they require very close by, whereas the distance and travel time will increase the further away from the urban areas the business is located. This may be more or less important, dependent upon the type of business that is proposed, and how reliant it may be on transport links. A second identifying factor is the dependency of the rural business on links with urban areas. It may rarely be the case that an urban-based company would be reliant on goods or services coming from a rural location, however many rural companies may well have this reliance on urban areas for certain commodities and services. Thirdly, the size of the rural business often differs greatly from those based in urban areas. Whilst most urban businesses have the ability to expand exponentially, the quintessential

¹ SBA (undated)

² Miljkovic et al (2010)

³ OECD (2005)

form of businesses in rural areas are small firms, and it is something that is unlikely to change⁴. Whilst this list is not exhaustive, it goes some way to identifying the particular characteristics of the rural business and how they differ from their urban counterparts.

Given these and other differences, why then should crime prevention be of particular interest to the rural start-up in England? I would argue that it is exactly these differences that drive the need for rural start-ups to be more mindful of crime prevention when considering their business plan, and the risk assessment. The entrepreneur, David Barker, wrote in an article for The Guardian Small Business Network that entrepreneurs should not get hung up on considering all the risks when writing a business plan, and that this can be revisited later down the line⁵. Whilst I agree that not all risks can be identified at the outset, and after all entrepreneurship is about taking risks, crime prevention is a risk that can be easily managed if considered at the inception of the business idea, and it should be borne in mind by the entrepreneur that sixty percent of established companies mention some form of crime as being the most important security threat to their company⁶, and that the largest losses affecting an organisation often stem from events that management has not envisioned⁷.

With rural England extending to 85 percent of the total area of England⁸, but being home to only 19 percent of the total population of England⁹, geographic isolation is a key reason to adequately protect the rural start-up from becoming a victim of crime. Rural areas are increasingly being targeted by organised crime gangs who see these areas as easy pickings compared to urban areas, mainly due to the historic lack of security on rural properties. My own research has shown that 56 percent of farms in England have been a victim of crime in the last twelve months alone¹⁰. And whilst many of these farmers have retrofitted their farms with some form of crime prevention measures, they are often not adequate to deter the seasoned criminal. Therefore I would argue that considering crime prevention at the outset would mean that this aspect would be an integral part of the business and not an afterthought that may not be fit for purpose. Furthermore, the increased proliferation of technology that businesses are making use of, and indeed the increase in the number of hi-tech companies that are choosing to locate in rural areas, provides criminals with a reason to target fledgling companies, due to the potential high value items that may be on the premises. In addition, the type of companies that are being established often rely on the patronage of urban residents in order to survive: such as tourist ventures, farm diversifications, and farm shops and markets which provide criminals with a legitimate reason to be on the business premises. This is supported by research undertaken by Gary Bosworth, who noted that the mere location of the rural business creates challenges that are apparent from the outset and can

⁴ Irvine & Anderson (2004)

⁵ White (2014)

⁶ Briggs & Edwards (2006)

⁷ Melton & Trahan (2009)

⁸ Defra (2013a)

⁹ Defra (2013b)

¹⁰ Smith (Unpublished)

therefore be incorporated into the business plan, and the fact that businesses can operate within these boundaries indicates the tenacity of many rural business owners¹¹.

Risk Assessment in the Business Plan

Business resilience is key for an entrepreneur when considering setting up a new venture, and it is more than ensuring that your new company will be able to continue if there is a short term set back, such as adverse weather, power failure or supply issues. It is also about enabling your business to survive a catastrophic event that may have long term consequences, and without sound risk management and contingency planning, such business resilience may not be achievable. Business resilience is important to ensure that the start-up is equipped to deal with crises in order to ensure business continuity. Simply being a small, new company can mean that business continuity is near impossible if the company is faced with an unplanned crisis. Research has shown that 50 percent of companies who do not have a contingency plan do not survive a crisis, and that 90 percent of the remaining companies will dissolve within two years of the crisis¹². I would argue that crime should be considered as a crisis due to the large scale impact crime can have on a rural business; and in my mind, these figures are reason enough for rural start-ups to have a considered risk assessment and contingency strategy as a mandatory part of the business plan, and that crime and crime prevention should be an integral part of that risk assessment. This would therefore allow the rural entrepreneur to carefully consider how the business can be made resilient enough to survive being a victim of crime, and to ensure as little disruption in services as possible for their customers should this crisis arise.

But what advice exists out there for someone who has an idea and wants to put together a business plan to present their venture to prospective investors?

In this age of technology, a simple internet search will return thousands of hits on business plan advice, templates and tips. But how much of this considers risk management and business continuity, and what part does crime and crime prevention play in any advice presented to the entrepreneur?

I reviewed advice available for start-ups from a number of sources: the government, the four main banks, The Prince's Trust, and a variety of Independent Financial Advisory companies, in order to establish what advice they provide, and the results were surprising.

The government webpage on business plan advice, did not actually provide any direct advice on writing a business plan, it simply provided a number of links to external sites where you could look at business plan templates and get advice on how to write them. A quick review of some of the external sites revealed no reference to crime prevention, nor indeed to risk assessment. I was able to locate, however, a document entitled 'How prepared are you?' via the Cabinet Office website. This document is a business continuity management toolkit, and provides extensive advice on how

¹¹ Bosworth (2011)

¹² Spillan & Hough (2003)

to identify critical activities of the business, what are the risks to these critical activities, and how these critical activities are to be maintained in the event of an incident¹³. Whilst there is mention of losses of premises, technology, information, and reduction in staff levels, there is no specific reference to crime of any type, whether it is property crime, fraud or any other crime, and how this should be assessed in terms of prevention.

This pattern continued when I looked at the business plan advice for start-ups available from the websites of the four big banks: HSBC, Lloyds, Barclays and RBS. Out of the four, three did make mention of risk assessment in some way. One bank made specific reference to a contingency plan and identifying the main risks to the business and how the entrepreneur was going to mitigate these risks. Another bank did have guidance for contingency planning, however this was on a separate webpage to the guidance on writing a business plan, and no mention is made of risk or contingency within the business plan guidance itself. The third of these banks dealt with business plan advice via an online Business Planner, which in itself was very straight forward and useful. However, the nearest this planner came to discussing risk and contingency, was advice on how to do a SWOT analysis, and referred solely to competitive threats to the business. The fourth bank provided no guidance on risk assessment whatsoever in its advice on business plan writing.

The Prince's Trust advice once again included advice on undertaking a SWOT analysis within the section assessing the competition. The guidance does provide reference to external threats to the business, but does not provide specific examples of what this could include. I would argue that crime and crime prevention would be best placed within the threats section of the SWOT analysis if not dealt with separately elsewhere; indeed the threats section does allow for the consideration of a contingency plan to mitigate the impact on the business for those threats identified. However, potential threats, including crime, should be given as a list of suggested possibilities for the entrepreneur to consider.

Advice available from six separate independent financial advisors was also reviewed. The amount of advice that was provided by individual advisors did vary greatly, from one side of A4 up to 18 sides of A4 covering all sections of their template business plan in detail. Out of these six sets of advice, that from Sage¹⁴, startups.co.uk¹⁵, and Lets Do Business Group¹⁶ did not contain any advice relating to risk or contingency planning. The information from the government Business Link¹⁷ website refers to the need to undertake a SWOT analysis but provides no guidance on how to go about undertaking this type of analysis. The information from the Institute of Chartered Accountants in England and Wales¹⁸ (ICAEW) provides guidance on considering risk when writing a business plan, but those risks that it considers relate to commercial and financial risks in order to

¹³ Cabinet Office (undated)

¹⁴ Sage (undated)

¹⁵ Startups.co.uk (undated)

¹⁶ LetsDoBusiness (2012)

¹⁷ BusinessLink.gov.uk (undated)

¹⁸ ICAEW (2011)

address the concerns that a potential financial backer may have about the business. The last set of advice that was reviewed was from the website entrepreneur.com¹⁹, and here there was no mention of risk management or business contingency plans over several pages of business plan advice.

Unfortunately, this disparity is indicative of the wide ranging advice that is present across the sector for entrepreneurs, and without some kind of agreement on the key information that should be considered in business plans, this is unlikely to change. I would argue that, for any new business, the consideration of risk is key to ensuring that their business is viable, and this is even more important when, despite the chance of a rural business becoming a victim of crime is much lower than an urban business²⁰ the potential impact of being a victim of crime is heightened by the environment in which a rural entrepreneur has created their business.

Business plans for rural entrepreneurs

Whilst undertaking the research for this paper, I identified four issues that would be specific to advice that should be provided to rural entrepreneurs about what should be included in their business plans. All four issues relate directly to the idea of ensuring that the business plan has a robust risk assessment section, and subsequent contingency plan, and all four issues also make the consideration of crime and crime prevention a key factor in the plans for a rural start-up business.

The first of these, as mentioned earlier, is the fact that rural businesses tend to be smaller on average than their urban counterparts²¹, with many of these rural businesses comprising less than 10 employees or sole traders²². As a result of this, the business is less likely to have a large reserve of capital to cover business interruption resulting from an event such as a criminal act. If some kind of contingency plan is not considered at an early stage dealing with how the business will respond to such an event, there may be a good chance that the business would not survive the fallout of this once the reserve funds have been depleted.

The second issue to be considered, relates to the fact that many business plan advisors approach writing a business plan from the aspect that the sole reason for writing this document is to secure financial backing for the new venture. Whilst it is undeniable that this is an important reason for writing a business plan, it should not be the only reason. Rural entrepreneurs should consider that the writing of a business plan is an integral part of the setting up of a business, even if finance is not required. Particularly in relation to risk assessment and contingency plans, it allows the entrepreneur to carefully consider how the business would respond if the worst were to happen.

¹⁹ Entrepreneur.com (undated)

²⁰ Hardy (2005)

²¹ Defra (2011)

²² Lowe & Talbot (2000)

Related to this, is the third aspect of business plan writing I would suggest for rural entrepreneurs. I would argue that once a business plan is written, it should not be filed away and forgotten about until something goes wrong. The business plan, particularly the risk assessment and contingency plan, should be an ever changing document, with regular reviews to ensure that it meets the needs of the company at that particular point in time. As the business grows, there may well be an increasing need to alter or update the crime prevention measures that are in place on-site, and indeed to ensure that the company's insurers are abreast of the changing situation to allow them to fully consider the changes in crime prevention, the potential losses, and how the company plans to deal with any adverse event.

Finally, due to geographic isolation that many rural businesses experience, the business plan should consider the need to create various networks amongst neighbouring small companies, and even to discuss the possibility of such networks being a source of support and risk pooling²³. This would allow rural start-ups to join other, possibly established rural SMEs and Micro-businesses in order to create a form of cooperative or mentor scheme to support rural business crime prevention as a group, rather than letting a new venture go it alone. Again, if such a systematic approach could be established, this could be discussed in the contingency plan as a way of mitigating the impact of becoming a victim, which is of particular interest to both the financial stakeholders and the company insurers.

Conclusion

It can be seen from this review that there is a huge disparity between the type and quality of advice that is provided to rural entrepreneurs when they are thinking about writing their business plan. I have argued that risk assessment, and in particular, contingency plans should not simply be used to address bad weather, power cuts or supplier issues, but should be used more robustly in order to ensure that all aspects of business resilience are considered. A particular issue that has a high impact level for rural businesses is how they can survive being a victim of crime. By including this as an integral part of the business plan from the outset, it allows the rural entrepreneur to fully consider what would happen if the business was hit by crime, and how they would go about dealing with such an event without leaving themselves open to financial collapse.

Should it be the case that the government, in conjunction with key stakeholders such as the banks and Independent Financial Advisors, should take the lead in streamlining the advice that is provided to rural entrepreneurs, and that risk management and contingency planning should form a mandatory section of any business plan to ensure these aspects are fully considered?

Should rural entrepreneurs be encouraged to work more closely with both financiers and insurers to ensure that risks to the business are adequately considered and managed?

²³ Smallbone (2009)

Furthermore, I would argue that business plans should not be seen solely as a road to funding, and therefore, should business plans be promoted in a different way in order to get the rural entrepreneur to think differently about the necessity of these documents?

Finally, could the creation of local rural business networks allow rural start-ups to share experiences and advice among their peers in order to fully consider the implications of being a victim of crime, and how they could deal with the aftermath?

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