

MANUAL 8

**HOW TO WRITE A
BUSINESS PLAN
FOR A
SELF-SUFFICIENT
SCHOOL**



TEACH
A MAN TO FISH
Education that pays for itself

ABOUT THIS SERIES

The SCHOOL IN A BOX Guide Series is designed as a 'one-stop shop' for anyone interested in establishing their own financially self-sufficient school.

The series is made up of nine individual manuals which between them cover all of the key areas which will need to be considered in detail in the creation of any Self-Sufficient School.

Each manual offers a step-by-step guide to building your understanding of key concepts and mastering a range of planning and management tools, as well as providing a wealth of case studies and real-life examples to illustrate both best practice and easily avoided pitfalls.

The full listing of manuals in the series is as follows:

1. Getting Started: An Introduction to Financially Self-Sufficient Schools, 2. How To Evaluate Your Organization, 3. How To Organize Your School, 4. How To Generate School Income, 5. How To Run A Self-Sufficient School, 6. How to Educate Successful Rural Entrepreneurs, 7. How to Organize Student Life, 8. How to Write A Business Plan for a Self-Sufficient School, 9. How to Finance Your Plan

CREDITS

The SCHOOL IN A BOX Guide Series represents the knowledge, experience and hard work of a dedicated team of authors and editors at Teach A Man To Fish and the Fundacion Paraguaya.



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1. INTRODUCTION

WHAT IS A BUSINESS PLAN?

A business plan clearly sets out the objectives of your business (the self-sufficient school). It states exactly how the business intends to operate and how it will become profitable.

HOW WILL A BUSINESS PLAN HELP ME?

A good business plan will keep you focused on your objectives. It will help you plan for the future, because you will have already planned your activities. It will lay down a budget and predict future cash-flow so that you will stay on-track in your drive towards the goal of a self-sufficient school. It will also help you identify areas that you might have overlooked or areas that require more thought and planning.

WHY ELSE IS A BUSINESS PLAN IMPORTANT?

A business plan is very important when trying to attract finance. Your potential investors will be able to read your brilliant business plan and it will address all their doubts, answer all their awkward questions and convince them that your dream is worth funding.

Ok - let's get started!

This manual will lead you through the 8 sections that must be included in a great business plan. Each section ends with a sketch of a business plan so that you can use this as the basis for your own, more detailed and personalized business plan.

By the time you have finished reading this manual you will have the foundations of your business plan written for you!

Before beginning to write the business plan we should assert our decision to be self-sufficient. The plan will be the mechanism that will allow us to make it reality and it should be tailored to the precise circumstances of your school. Business plans from other schools will work as reference and help, but every school will need to create their own plan.

A good business plan must answer some of the following questions:

- What type of businesses can be started?
- Who will your clients be and why should they be interested in buying your product?
- How will the clients find out about the existence of your products or production?
- Who produces something similar? Who are you competing with?
- Is your work team trained to develop your product ?
- Do you have the resources needed to implement the plan - or do you know where to get those resources?

2. EXECUTIVE SUMMARY

 **The objective of this chapter** is to help you write an Executive Summary for your business plan .

 *When you've finished reading this chapter you will be able to clearly identify:*

  Why your Business Plan needs and Executive Summary

 What the Executive Summary should contain

As mentioned in the introduction, your Business Plan serves several roles.

It is one of the most important documents you will need when you want to persuade funders to invest in the development of your Self-Sufficient School.

Equally important however, it sets out in detail a roadmap for how your school will achieve financial sustainability - providing a vital focus for all the people involved in making your school a reality.

After many long hours of research and careful thought, your plan should cover everything an outsider needs to know to understand how your project will work. However even if it is a work of unrivalled genius, you need to accept that not everyone who is interested in your project will have the time, or desire to read through every detail of how you will run your dairy, or who is the big local competitor in the rabbit meat market!

The Executive Summary is a brief description of the full Business Plan, if possible no more than a page or two in length. It should be a clear and concise summary of the plan's content, and follow the same structure as the fully document. Ideally it should inspire the reader to want to read more – and make it easy to understand where in the plan fuller information can be found on a particular topic.

Generally it's recommended that this section is written after the main sections of the business plan are complete to ensure that it represents an accurate summary of their content.

The Executive Summary should include:

- A brief description of the plan outlining key business activities
- A sketch of the market and competitor analysis
- Sales projections vs. total operating costs for the school

3. BUSINESS DESCRIPTION

The objective of this chapter is to help you provide an effective overview section identifying and describing the companies that will generate income in the school, as well as outlining their non-financial objectives.

When you have finished reading this chapter you will be able to clearly explain:

1. What you are trying to achieve
2. Why you need this description
3. How to write your description

It's fairly unusual for a school to have a Business Plan - although many regular schools will have strategic and operational plans. This makes the Overview section of your plan all the more important, as it is in this section that you will explain how the different financial and non-financial objectives of your school support each other.

It's also a chance to provide the background information that explains the origins and need for your school, and the range of business activities the school is looking to pursue.

For clarity we will refer to the school's income generating units as 'companies' throughout this manual. Although each unit fulfills an educational purpose, thinking of them as companies re-emphasizes the vital role of each in generating a profit to support the school's financial self-sufficiency targets.

Thus, when we speak of milk production at the Dairy Farm or the hen-house where the eggs will be produced, they will be referred to as the Dairy Company and Poultry Company etc.

It is fundamental to ask this question of each income generating company so that you can establish the priorities between each company..

How much do you want to do? Besides establishing a goal you need to identify the milestone that you want to reach or achieve. The size of each company is also defined,

considering both the learning and economic opportunities to form the size that will allow the generation of resources in an efficient way. This implies that we must know the physical space available, the investment or necessary structures and most importantly, the volume of products we hope to sell in the market.

Why do we want to do it?

What is our motivation? For each project we must evaluate the both the learning and earning aspects.

For example, the San Francisco Agricultural School concluded that they wanted to create space for a hen-house for egg production. The search for this space was based upon the type of chicken they were going to have, where they were going to buy them and how many eggs they would produce. They also investigated the market. Even though they found a number of big companies who already sold eggs to the merchants of the nearby city, they also detected an opportunity, since these companies only visited their clients once a week and this service did not satisfy the clients. When the merchants heard that the School would produce eggs, they showed interest especially in the fact that the fresh eggs were going to allow a better positioning of the price.

As a result of this research, the school decided to work with 1000 chickens that would produce about 700 eggs per day.

This demonstrates that the existing opportunity in the market must determine the production level of the school. The school did not need that many chickens just to train the students, but as a business it is essential to take account of the market demand.

Each income generating unit should be measured according to the market, the physical space available, the resources available and the contribution that the self-sufficient school can make.

If we want the production to become income we need to count on the clients that are willing to pay for our product, if we over-measure the demand, we will have a stock that could become a problem since it requires the right storing conditions.

If, on the other hand, with extreme caution we reduce the production, we could be losing opportunities and even favoring the growth of our competitors. So you can see how important it is to establish, following sound reasoning, the right size for each company.

Production System: describe the steps necessary to make your product and deliver it to market. Include planning of the personnel and management structure, the development and organizational culture.

DESCRIPTION OF YOUR BUSINESS

This is the most important and difficult part of your business plan. The goal of this section is to explain what the business is, how it will be run and why you think it will be successful.

Deciding what the business is—and what it will be in five years—is the most important decision you will make. A small business can be involved in more than one activity. In this case, the key decision is what the central activity (or activities) will be. All of your planning efforts will be based on the perception of what type of business you are in.

If you make a real mistake at this point, your chances of success will be significantly reduced. Therefore, you should take time to think calmly about this point.

- What is or what will be your business? The type of business: Is the business mainly one of commerce, production or services?
- The model of the business: Single-owner, partnership or cooperative? (Advice from a lawyer on this point can be very useful.)
- The state of the business: Is the business new, or is it an expansion or acquisition of a functioning business?
- What market do you propose to serve; what is the size and fraction of that market that you hope to cover?
- Why will your company serve the market better than the competition? Why will your business be profitable?
- Why have you chosen this particular location?
- What management and staff are available and what is necessary to run the business?
- When will you (or did you) open the business? What days and hours will it be open? Will this be adjusted seasonally.
- Why will a loan or someone's investment in shares (if relevant) make the business more profitable?

4. MARKETRESEARCH

The objective of this chapter is to help you understand the importance of market research, how to conduct it, and how to present your results.

When you have finished reading this chapter you will be able to clearly explain:

1. Why understanding a market's characteristics is vital to success in business
2. The size and nature of the markets that exist for your goods and services
3. Who the clients will be for the products or services that you will produce.

Time after time businesses fail and their founders lose large sums of money - all because they didn't really understand the market they were operating in, and hadn't taken the time to do some solid market research before they started.

"Knowing the market", i.e. getting to know your potential customers - what their needs are, what they buy, how much, and how often – is a critical part of the business planning process, and one that need to be done **before** you begin your production activities.

Market research will help you make informed decisions on areas such as:

- What products are most in demand?
- What product you should start your business with?
- What other products might also be viable for production in the future?

The better informed your decisions are, the great the chance of your school businesses being successful.

Before you start thinking about how to conduct your research, let's start by taking a step back and making sure we understand what a market actually is!

WHAT IS A MARKET?

We often use the word 'market' and feel safe in the assumption that the person we're talking to understands the sense in which we're using the term.

This is not always true as the concept of "market" refers to two slightly different ideas as outlined in the table below.

A market can be a single physical location In almost every country there are markets – maybe in the town square, on the street, or in a special building – where traders bring their goods to sell, and buyers visit looking for products that they'd like to buy. Because the market is always in the same place, there are normally lots of buyers and sellers – which means that for basic products, such as milk or eggs, prices quickly converge on that day's 'market price'.	A market can exist without a single physical location When we talk about a 'market' in this second sense there are two big differences. - We are normally talking about only a limited range of goods or services – e.g. we might talk about the market for tomatoes - We know that buyers and sellers of these goods and services will be located in many different places – i.e. the market for tomatoes might include everyone from big scale processors, to city restaurants, and rural hotels.
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To avoid confusion, normally when we talk about markets in the SCHOOL IN A BOX series, we are *not* referring to physical markets, but to markets in the broader sense of buyers and sellers for a given type of product or service.

A few facts about markets:

- Markets can be local, regional, national or global. Today there are many possibilities, not only locally, but internationally as well.
- Markets exist not only for physical products, but also for services such as computer lessons or tourist accommodation. *Both goods and services can offer interesting business opportunities for a Self-Sufficient School*
- When there is 'perfect competition' in a market, the price of a product or service is determined by the many buyers and sellers reaching an agreement acceptable to both sides.
- Markets can be distorted where one or other side of the transaction has an advantage over the other side – e.g. when there is only one buyer for a product, or – or through price interference, e.g. where government offers subsidies to producers.

THE IMPORTANCE OF MARKET RESEARCH

It is essential that when you start planning work on your Self-Sufficient School that you make a thorough study of the market. This should guide you as to where the best business opportunities exist, and if you are being realistic about sales possibilities.

We mentioned before that many businesses fail because of poor market research. The following examples might give you some idea of why.

EXAMPLE 1:

A school starts to produce goat's milk because it has been offered free training in this activity. Once the goats have been bought and milk is being produced the school discovers that no one will buy the milk – people in the local community just don't like the taste of it. The business fails. The school loses money.

EXAMPLE 2:

In another case, a school cheese project identifies mozzarella for pizzas as a niche product which local restaurants might be interested in. The restaurants try a sample of the cheese and are impressed by its superior flavor and quality. They say they'd definitely buy from the school. When the first batches of cheese are ready the school tries to sell them, but the restaurants only buy a very small amount. Finally they discover that although the school's cheese is much better, lower quality mozzarella is much cheaper, and the restaurants' customers are very price-sensitive. The business fails. The school loses money.

EXAMPLE 3:

Elsewhere a school in an area with lots of international tourists decides to start a hotel. They buy good quality materials and build a solid looking concrete building with durable plastic furniture. This type of long-lasting building and furnishings represents the sort of home local people aspire to have. After several months with very few guests the school discovers that the overseas tourists actually prefer cheaper buildings made out of local materials like bamboo and thatch. Because they don't have hotels like that back home such accommodation is considered 'exotic' and therefore attractive. The business fails. The school loses money.

In each of these cases the school could have avoided making a loss - and in the last case could have made a good profit – if they'd properly researched the market before starting their businesses.

Good market research should provide you the following type of information:

- Who will buy your product?
- Who will supply the goods you need to operate?
- How large is the total market?
- What percentage of the market will you reach?
- What is the market's potential for growth?
- Can this market be segmented between different types of customer?
- What are the decision drivers for different customers, e.g. price, quality, reliability, scale?
- Is the target market local, regional, national or international?
- Who are the direct and indirect competition?

Market research by itself cannot guarantee you success in business – however if your research can provide answers to questions like these you will greatly improve your chances of success, and avoid costly mistakes.

If market research is so important, why is it so often not done, or done so badly?

The three most common reasons for not conducting proper market research are fear, ignorance and laziness.

We are all scared of trying something we have never done before; it can be hard to do something well when we have little experience; likewise it is always easier to sit and write a plan in comfort making assumptions where we have no direct knowledge, than to go out and spend some time running around making observations and asking questions.

These reasons are understandable, but they're not acceptable. When you start a new school business you may not be risking your own money in the same way an individual entrepreneur does – but you risk both your own and your school's reputation in the community, as well as the goodwill of your funders. You have a moral obligation to ensure that you do everything within your power to help your business succeed.

HOW TO CONDUCT MARKET RESEARCH

Market research must

- Have a clear notion of the number of consumers that would be interested in acquiring the good or service offered by the school, in what time frame and what price they are willing to pay.
- Indicate the characteristics and specifications of the service or product that will help us decide the type of packaging, and establish the characteristics of the product that the consumer wishes to buy.
- Tell you what kind of people will be interested in your goods, which will help with the orientation of the business, and determine the volume of production.
- Provide information about the appropriate price for your product or service in order to compete in the market. Keep in mind the irrational concept held by many people that “an expensive product will normally be of better quality than a product of low cost”.
- Help you decide the right size for your business to start at and give you an idea of future expansion possibilities and its ongoing growth .
- Tell you the usual distribution channels for the type of product or service that you are offering and what its function is.

The study of the market enables us to identify what the people or clients demand, since for the school it will not be enough to produce with quality and in sufficient volume, but it will have to adapt its production to the market demand. What we want to produce or what is obtained easily is not always what the market demands.

It's important to keep in mind the seasonality of the products because these affect the prices. This means that when a product is demanded or in its peak, the prices tend to rise, especially if the product is scarce and if, on the other hand, there is a lot of demand for the same product the prices generally lower.

5. COMPETITOR ANALYSIS

 *The objective of this chapter* is to help you analyze your competition.

 *When you have finished reading this chapter you will be able to describe:*

- 
1. Who your competition is
 2. What the difference between you and your competition is
 3. Why your business will be able to succeed despite existing competitors

As part of your market research you will have identified target markets in which there is a clear demand for your product.

Where the existing demand for a product is strong it is normally the case that there are already some businesses attempting to make a profit by meeting this demand.

If you decide to go ahead and start up your new enterprise, these businesses will be your competitors.

The better you understand the competition, the better the chance that your income generation strategies will succeed.

What is competitor analysis?

Analyzing the competition will tell you:

- Which companies produce products that are similar to yours
- How big they are
- Approximately what percentage of market coverage they possess
- What their sales price to the public is
- What the quality of their product is
- What commercial strategy they use

Why is Competitor Analysis important?

The stronger the competition, the harder it will be for your business find customers and generate income for your school.

Once your target market has been determined you will therefore need to evaluate carefully **who** within this market offers a similar product to yours, **how many** competitors there are in it, and whether you can offer a **competitive advantage** over them.

Who are my competitors?

When identifying your competitors, it's important to understand that these can be direct or indirect. It's easy to find out who your direct competitors are: they sell or offer products and services very similar to those offered by the school. To identify them you only need to go through the area in which you are thinking of establishing yourself, consult local newspapers, etc.

Indirect competitors are those who sell to the same market, but not the same product or service. That is: they offer other types of products or services which - if they were to be successful - would directly limit the possibility of sale of the products offered by the school.

Factors to include in a Competitor Analysis

One of the most important factors that must be analyzed is the sales of the potential competition. Analyzing the total volume of sales is not enough; you must also consider the type of client they are selling to. Even if the competition companies are very productive, they might also be inattentive to certain areas of the market and therefore your school could seize that market by directing a certain service or product to a particular type of consumer.

The market for any product or service is composed of many segments. This means that within each market are different groups of consumers, of all levels of income and social groups. Certain segments of the market demand specific products or services. For example, consumers with high income generally buy more expensive products, in the hope of receiving a better quality item or a higher standard of service.

The volume of production of the school won't generally be that high, so you should normally orientate your sales to sectors with good acquisitive power: clients who are willing to pay a better price, but demand better quality. To be able to work with that segment of society you

require a personalized initial dedication to them that quickly allows you to count on a stable consumer base.

How do your competitors compete?

Once your competitors, their size and the type of market they are directed to are identified, it's necessary to investigate in what way they compete so that you can discover or strengthen a competitive advantage. To know how your competitors are competing it is necessary to answer questions like these:

- How varied are their products?
- How do they show their product? What qualities do they emphasize?
- What type of service do they offer and of what quality?
- What kind of image do their products have?

The majority of companies operate inside narrow limits: generally all of their stores have the same variety of product and similar margins, but they differ in other details, for example: opening hours, comfort and type of consumer.

Understanding the competition is fundamental to the growth of the business. If you know your competitors and what they are doing you can capture parts of the market that they cannot satisfy.

It's probable that, after studying the competition, you will have to reconsider your original idea. Successful businesses have found ways to stand out from their competitors. This means that you will also have to adapt and find a way of doing something more or better than the competition. This is the reason why a competition analysis must be done.

WE SHOULD ALSO DEDICATE TIME TO THE ANALYSIS OF TENDER.

This compares the products and services offered by the School to those offered by other organizations. Analysis of tender answers the following questions:

- Who is offering the same good or service?
- What are the characteristics of their products (type, quality, etc.)?
- What is their sale price?
- Where is their market based geographically?
- What is their supply volume?

The analysis of tender can be achieved by filling in a matrix similar to the following:

Data of the Producers of the area					
Name of producer	Area of operation	Price of the product for the client	Point out expansion plans	Number of workers occupied	Volume of production (in units)
A	Center Region	600	Possible fitting of a new branch	120	1200
B	Northern Region	500	No Data	80	700
C	Western Region	550	none	90	800

In many cases it might be difficult to obtain the information to fill this chart in, but it's something you must accomplish.

It's important to visit the supply centers and the supermarkets to see what products are offered, how they are presented, what characteristics they have, who produces them, what selling prices they have and if they are seasonal or year-round products. If you can gain the trust of the merchants you might be able to get data on how often they go to market, what their sales figures look like and how they are affected by various market conditions.

Just one visit isn't enough, since this would lead to a distortion of the market. It's important that these interviews and polls are made in person and directly at the business concerned. This way you will appreciate the details because when the elaboration of the products from school starts, this information will allow us to fit our products to a value more unique than others.

Although the closest market is the most convenient, in many cases it may not have the necessary demand to justify our production. In this case, you should test the feasibility of supplying a market with greater demand, further from the school.

6. SALES & MARKETING PLAN

The objective of this chapter is to help you write a sales and marketing plan and to understand its importance and its benefits.

When you have finished reading this chapter you will know:

1. What a Sales & Marketing Plan is and what it's used for
2. What it should contain and how to write it
3. How to create a sales projection forecast for your plan

Your business plan should be well underway by now:

- You've decided on your business activity and product is
- You've researched the market and are confident demand exists for this product
- You've looked at the competition and identified where you and your product have an advantage

Now you need to formulate a strategy for how you will present your product in your chosen market, how you will price it, and what channels you are going to use to make your sales.

All these issues and more will be covered as part of your Sales & Marketing plan.

It's fairly clear what sales involves, but let's start by making sure we understand what 'marketing' is.

MARKETING – WHAT IS IT?

Do a little research and you will find lots of complicated definitions of what marketing is, but which often leave you no wiser about what it really involves.

Put simply however, marketing involves using a range of strategies to meet potential customers' needs, so that they buy your product, and you make a profit.

Central to marketing is having a clear idea of what the customers' needs are – which is why you spent so much time earlier conducting your market research!

At its most basic level meeting these 'needs' means looking at four key areas that affect whether you will make a sale or not. These four areas are price, product, place & promotion.

Let's look at each one in a little more detail.

1. Price

For a customer to make a purchase, they have to feel that their need (or desire) for the product / service justifies the price which the seller is asking. How that price is set is a marketing decision which can have a huge impact over sales.

2. Product

A customer will only buy what you're offering if your product – which might also be a service – meets their needs / desires. Very few products / service are 100% standardized. Adapting the product to maximize it's attractiveness to the target customer is therefore part of marketing.

3. Place

Assuming a customer does need your product, you will still only be able to meet this need - i.e. make a sale! – if they are prepared to / able to go to the place where you are selling it. *Where* you chose to sell your product is therefore part of marketing.

4. Promotion

Again, assuming a customer does need your product, you will still only be able to meet this need - i.e. make a sale – if they know that your product exists! Making sure that your target customers are aware of your product – and its features, where to buy it etc. – through effective promotion techniques is therefore part of marketing

Defining marketing through the '4Ps' doesn't capture every aspect of marketing for every type of product or service, but it is any easy way to start thinking about the factors that influence how customers make their purchasing decisions.

Marketing is about swinging these decisions in your favor!

PURPOSE OF THE SALES & MARKETING PLAN

If marketing is about meeting customer needs so that they buy your product, a good sales and marketing plan is about laying out the strategies you will use to meet these needs.

By putting this plan in writing you will have a document that will guide your activities, and offer confidence to others that you can achieve your business goals.

Within the sales & marketing plan you will also often end up looking at relatively specialized areas - such as advertising or distribution – where you might use the services of a business outside of the school. Your plan will guide both your and their expectations about what this relationship is designed to achieve.

Finally, no matter how good your research, some decisions you make will still represent ‘calculated risks’ and contain an element of assumption. Through making these assumptions explicit in a Sales & Marketing plan you will be able to check them later based on your actual experiences. The Sales & Marketing plan is therefore an important part of your institutional learning – and one that will help you continually improve your businesses’ effectiveness.

CREATING YOUR SALES & MARKETING PLAN

In the marketing plan we must use the information that we have developed in Chapters 3, 4, and 5 of this manual. In these chapters we have defined the product, established its market and analyzed the competition.

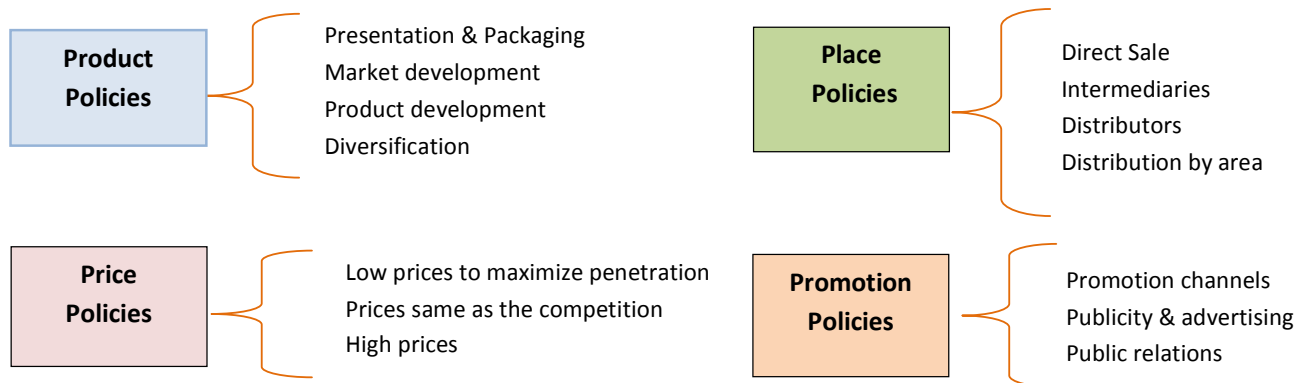
A good marketing plan does not need to be complex or extensive, although it should contain enough information to help establish, direct and coordinate your marketing activities. It should also contain a clear strategic vision.

Within the plan you will outline the ‘marketing mix’ you have chosen, explain why these strategies can be expected to satisfy your target customer, and highlight any calculated risks or assumptions you have made in the process.

Just like your Business Plan which it is a part of, the Sales & Marketing Plan is a ‘work-in-progress’ which you’ll need to revise from time to time, and update based on your experiences. If you build this idea into your plan from the start it can even become part of your marketing effort. Contacting customers for feedback on your marketing will not just provide new ideas for improvements which could increase your volume of business, it can also show the customer you care about their opinions – a useful marketing strategy in itself!

The following chart begins to break down the 4Ps into specific decisions that will need to be covered in your Sales & Marketing plan.

SALES & MARKETING PLAN



PRODUCT

We have to take some decisions in relation to the product, in this case the policies we must apply are:

- a) Market penetration
- b) Market development
- c) Product development
- d) Diversification

PRICE POLICY

When deciding how to price our product we can decide from the following:

- a) Penetration prices, or low prices
- b) The same prices as the competition
- c) High prices

When the price policy is established we must understand that the price will provoke a certain behavior from the buyer or client. High prices will lead to expectation of high quality and low prices will lead to a presumption of lower quality. Another aspect of this behavior is that of tenders that don't always constitute “real offers”, but there is a certain demand for them.

DISTRIBUTION

There may be several different approaches to your method of distribution, but the most important factor is the channel of distribution, which could be:

- Direct sale
- Through intermediaries
- Through distributors

Generally, direct sale is the most advisable method of reaching your customers, because the longer the chain of intermediation is, the more of your profits you will have to share.

We shouldn't neglect the way we are going to make our products known to the clients. Some options are:

- Promotion
- Advertisements
- Public Relations

Using a combination of the previously mentioned variables you can establish a strategy to achieve the planned sales.

In the analysis you must consider the relevant aspects of the competition so that you can determine what the positioning of your product should be.

CREATING SALES & MARKETING BUDGETS FOR YOUR BUSINESS PLAN

The demand can be estimated, but the sales have to be planned. This subtle difference is the key. That is why the sale projections should be established.

In the sales budget you must complete the sale projections and how much every product will represent in monetary values. This is achieved by multiplying the quantity of the units to be sold by the unit price. You add everything up in the last row, to give the total annual quantity of units to be sold and the total amount in monetary terms that these sales will generate.

A- Product's sale budget													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Product A (Units)													
Price													
Total A													
Product B (Units)													
Price													
Total B													
Product C (Units)													
Price													
Total C													
Sales (Total of Units)													
Sales (Total in Local Currency)													

The activity chronogram consists in establishing the activities that will be developed as part of the plan or strategy of communication established.

A- Marketing Activities Chart													
Nº	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1													
2													
3													
4													
5													
6													
7	<i>Add more rows as necessary</i>												

SCHOOL IN A BOX

Each activity declared in the marketing activity chart will require a financial outlay in order to carry out the activity.

The format of the marketing activity chart implies that there is no limit to what you can do, but of course, when you transfer the marketing activities to the annual budget you might find that they are too expensive or over-ambitious and you may have to reduce or re-evaluate your marketing activities.

A- Annual budget of Marketing Activities													
Nº	Descriptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1													
2													
3													
4													
5													
6													
7													
8													

7. OPERATIONAL PLAN

 *The objective of this chapter* is to help you write an operational plan and to understand its importance and its benefits.

 *When you have finished reading this chapter you will know:*

1. What an Operational Plan is and what it's used for
2. What it should contain and how to write it

By now you'll have done some serious thinking about the businesses you want to run at your school.

You know what the businesses are, and you're confident there's a demand for your product.

You have looked at what your competitors are doing and found a niche where you can expect to have a particular advantage.

You've come up with a range of strategies to make sure your potential customers will know your product exists, where to buy it, and will be happy with the product's price and design / quality.

What you haven't explained yet is how you're going to actually make your product – time to write an Operational Plan!

PURPOSE OF AN OPERATIONAL PLAN

The Operational Plan, as the names implies, explains how the practical side of your business operations will work.

No matter how good your sales and marketing strategy are, if you can't actually make your product you won't be able to sell it!

Likewise, if you can make your product, but not at a cost that leaves room for profit, then there's no point setting up your school business at all.

The Operational Plan explains exactly how you will make your product / deliver your service, and what the costs of this will be. But that's not all.

If it were easy to predict the future we would all be millionaires! The one thing you can be confident about when setting up your schools businesses is that not everything will go according to plan. A robust Operational Plan will anticipate the major risks your business faces and how you will deal with them.

By putting this plan in writing you will have a document that will both guide your activities, *and* offer confidence to others that you will be able to successfully run the operations which lie at the heart of your proposed business.

It is a document to which you can and should constantly refer back – helping to make sure your actions are guided by a well thought out long-term strategy, and not by the need for quick-fixes as a short-term response to events.

It's worth pointing out that the relative importance of an operational plan inside a business plan will depend on the nature of the business. For example, a school business offering adult evening classes the operational plan would be expected to be relatively short compared with the marketing plan.

In summary, your Operational Plan will lay out a roadmap for how you will manage the production / service delivery side of your business, minimizing risks and ensuring profitability.

CREATING YOUR OPERATIONAL PLAN

Your Operational Plan should include the following key sections:

- Overview
- Production process
- Supply chain
- Production costs
- Production experience
- Risk management

When writing the operational plan one must be very careful not to be excessively technical and complicated; this might make analysis harder and, in consequence, backfire. Keep in mind that:

- 1.) The expected reader must be able to understand its content.
- 2.) The information presented should give a global understanding of the business.

Overview

How school handles education alongside production

Production:

- Explain the process by which you will produce your goods along with a description of the factory – the available equipment, materials needed and the labor requirements.
- the techniques and productive process that will combine those resources -for example, the assembly line – and the full scale potential in terms of production capacity,
- the possibility of the productive processes to respond to a rise or fall in demand
- your methods for checking the quality of the product.

Maintenance and technical assistance: You should describe the level of support or technical assistance that the company will give to their clients after they have bought the product or received the service. This demands special importance if you are making a new product or one which is technically complex.

How will the production process be accomplished?

What will the fundamental raw materials be? What is their origin?

What technological processes will be used in the production?

The qualification and the training of the work force.

How will the process of distribution be fulfilled?

External influences:

These could include:

- Changes in your productive resources
- Changes in technology
- Governmental regulations

8. MANAGEMENT AND STRUCTURE

The objective of this chapter is to help you build the general structure and administration of an Agricultural School.

When you're finished reading this chapter you will understand:

- 1) What management is
- 2) What steps to take to build an effective administration structure
- 3) What to remember when building your administrative structure
- 4) What an organization chart looks like
- 5) How the responsibilities of each post should be declared

Management is the art of making things happen

Crosby

The administration is responsible for the success or failure of a company, it is indispensable for directing certain matters. A group of individuals chasing a common goal must work together to achieve that goal and may have to subordinate their individual desires in order to reach the group goals. Management provides leadership to this group.

You must include a detailed description of the key managerial positions with a profile of the kind of skills required to fill the role - or a description of the relevant skills possessed by the person or people already employed in the post.

For each person that occupies a position of responsibility it is necessary that you describe, with details, their formal professional experience, their specialization in a determined functional area or determined sector, and a list of their achievements throughout their professional careers.

These descriptions will increase the trust of possible investors in the Agricultural School and at the same time indicate the strengths and weaknesses of your management team. For your future development, it is useful to make a detailed description of the responsibilities and duties that each member of the organization will perform and the remuneration that will correspond to the position.

You must also define:

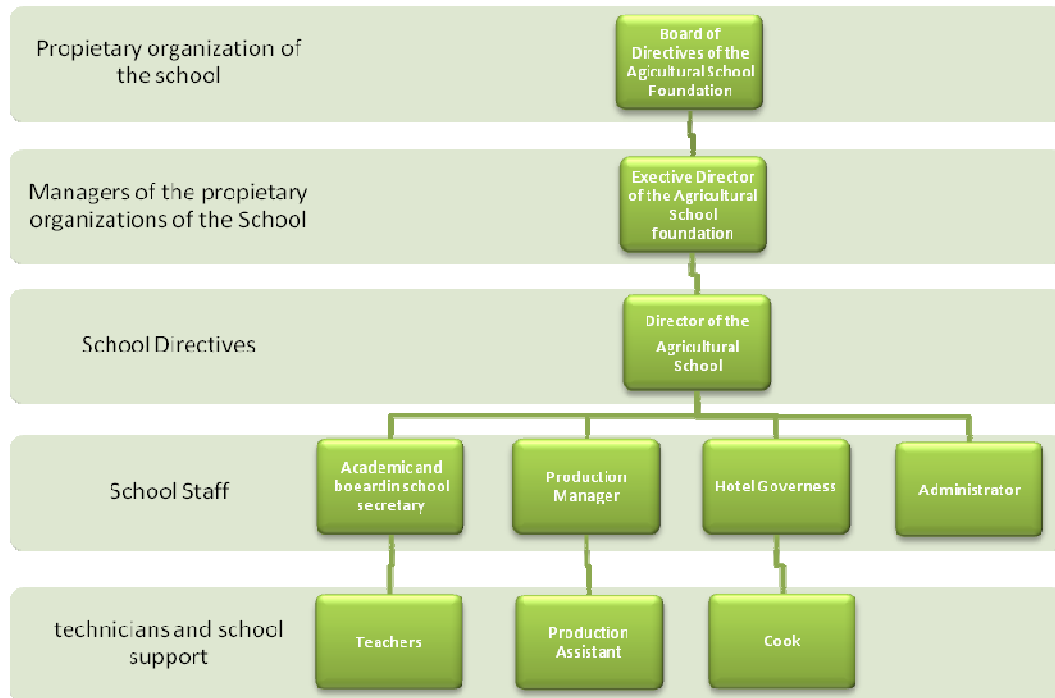
- the labor categories that will exist in the Agricultural School;
- the jobs that each category will fulfill;
- the labor agreement with the workers ;
- the ways of hiring
- the number of workers per position,
- the working hours that will guarantee the correct functioning of the School

Keep in mind that the Agricultural School will require a core of support staff to deal with any unforeseen events that might occur and affect the School in general and the productive areas in particular.

You should draw up an organization chart of the School by activity areas and name specific people, if already known, in the managing positions.

Below is an example of an organization chart of an Agricultural School with a description of each position.

Structure Type – Agricultural School Organization Chart



NB: The example used in above chart is of a boarding school, owned and managed by a non-profit foundation, and running a relatively large hotel business within it. Clearly this will vary depending on the type of school in question.

Specific Functions

Dealing with the challenge of building an Agricultural School requires many personal qualities, for example:

- Leadership
- Business administration skills
- Decision making skills
- Personnel administration skills
- Verbal and written communication skills
- Ability to build relationships and teamwork

Other required abilities are:

- Be Proactive
- Responsibility
- Dynamism
- Emotional stability
- Capacity to design, implement and monitor projects

The employers should be entrepreneurs, so that they can transmit this way of living.

Here are detailed descriptions of the specific functions of the positions mentioned in the organization chart above:

Executive Director of the Agricultural School Foundation

The legal representative of the Foundation, to whom the Director of the Agricultural School is responsible.

Executive Director of the Agricultural School

The functions of the Director are many and his responsibilities will embrace entirely every activity of the school. He must organize, command and coordinate the activities of the School, seeking to fulfil the goals of agricultural education and the improvement of the business units.

The Director will principally be in charge of:

- Planning activities according to the philosophy and mission of the organization and establishing annual goals
- Working with the Production manager to draw up the annual Business Plan
- Analyzing and diffusing the Management policies so that they work as guidelines for the personnel to produce adequate performance
- The Management should inform at the request of the corresponding superiors of each important aspect that is related to their area.
- Planning the application of an authorized budget, the personnel, the production, and the type of services that will be required.
- Making sure the policies of the Foundation are accomplished and implementing the necessary controls that will secure the integrity of the business.
- Following established and legal processes.. Making sure that they are followed in every sector they are responsible for.
- Analyzing and introducing, with the co-operation of the manager of each sector, methods of work that will fulfill the program objectives, keeping in mind the vision and policies of the institution, as well as the improvement of the product.
- Scheduling work meetings with the manager responsible for each sector with the goal of exchanging information, coordinating jobs, solving problems and offering guidance appropriate to every situation.

Production Manager

The School will also have a Production Manager who will be responsible for production, both agriculture and cattle.

He will be responsible for planning, enforcing and controlling the farming production of the school.

The Production Manager must be a farming professional with a college level education and with the ability to teach.

Some of the functions of the position are to:

- Prepare reports on the plans and programs of production and to deliver them periodically to the Director.
- Propose new work ideas and maintain the vision and mission of the program.
- Supervise the execution of the farming production plans, working together with the production coordinator;
- Supervise the execution of the projects and plans of the garden, working together with the manager for Extensive Cultivation;
- Participate in the process of control, evaluation and budget of the projects and plans of Farming Productions;

- Coordinate and, in association with the teachers, draw up the annual didactic production plan, to be taken to the School directors for approval.
- Be responsible, in the presence of the School Director, for the execution, implementation and evaluation of the Didactic Production plan
- Coordinate the production activities so that the teaching is effective.
- Give guidance to each sector manager concerning the resources available and their priorities.
- Plan the program of annual works and the materials and resources required for them.
- Prepare a monthly activity plan of the sector and to request, in advance, the necessary resources for its implementation.
- Coordinate the activities of the technical sectors in their charge.

Production assistant

The Production manager will count on the support of assistants in each area. The principal functions will be those of executing the plans and developing the productive areas of the School.

They should be agricultural technicians and be able to teach.

Academic and Boarding School secretary

The academic and boarding school secretary is responsible for:

- Administering the school timetable, maintaining the required documentation, the register and presenting all of the documentation requested by the state organizations for the correct functioning of the school.
- Fulfilling and verifying the fulfillment of the correct legal processes.
- Preparing reports of achievements and plans for the Directors, and the reports required by the institutions conforming to the valid norms.
- Organizing the system of transit of documents and the general archives of the institution.
- Attending to the School's correspondence.
- Helping visitors to the school and providing information to those interested in the school.
- Taking notes and preparing institutional documents for signature by the appropriate people.

- Delivering correspondence, notes, documents, etc. received in the office to their intended recipients, and registering them in a post book.
- Accomplishing other jobs inherent to their charge, with the ends of achieving the area's objectives.
- Ensuring that students attend school and follow the school rules.
- Waking up the students
- Keeping a check on the state of the dorms and taking note of the emergency exits
- Organizing visitor permits and authorizing visits of friends and family.
- Follow up and evaluation of students.

Teachers

The Production Manager and the assistants will teach specific classes related to their area of production. They will also work with the other teachers in other specific areas.

Administrator

The administrator is responsible of the entire area of administration and accounting of the institution. Their functions include the accounts registration, legal and tax documentation, dealing with banks, control of balances, etc.

Some of the functions of this position are to:

- Write the annual budget of the School.
- Maintain control over the budget execution
- Periodically check the budget and make the necessary adjustments,
- Process the data coming from the different areas of the school (production, academic, community training center), through the accounting software
- Coordinate a continuous flow of information from the diverse areas of administration
- Maintain periodical meetings with those in charge of production to revise and evaluate the progress of the different plans of production.
- Maintain control and ensure efficient use of the resources of the school.
- Establish an adequate internal control system.
- Negotiate with clients and providers to obtain the best financial terms for the school.
- Maintain a fluid communication with the central administration of the Foundation so as to ensure the provision of necessities for the school (payment of suppliers, requests for financial input, etc.)

Governess

The Governess is responsible for the master key of all the buildings in the School, principally the hotel. The cook will be in her charge. Some of the functions of this position are to:

- Receive and organize guests.
- Register the arrival and departure of the guests.
- Organize the events that take place in the hotel.
- Control the standard of customer service provided to the guests.
- Encourage excellent customer service..

9. FINANCIAL PLAN AND PROJECTIONS



The objective of this chapter is to help you understand financial concepts and their utility for the management of an Agricultural School.



When you have finished reading this chapter you will be able to understand:

- 1.) What finances are
- 2.) Financial Statement
- 3.) Financial Projections
- 4.) What Financial ratios are
- 5.) What these rates work for.

Each of the following financial projections can be seen in Manual 5, with examples.

Finances study the cash flow between the Agricultural School and the diverse physical people and corporate bodies with which it does business. These bodies could be individuals, enterprises or the State. Finances study the way in which the school will obtain the funds needed to accomplish its objectives.

Finances examine the conditions in which one gets the capital, the use of the capital and the payments and interest that are involved in financial transactions.

The financial statement is the final product of accounting. Basically it summarizes the financial situation of the company. This information is useful for the administrators and other interested people like shareholders, creditors or owners. Below there is a detailed explanation of the different financial statements.

Balance

The general balance shows the financial position of the company at a certain moment. It can be used to demonstrate the capacity of the school to respect the expiration date of any debts.

Statement of Results

The statement of results shows the economic position of the company over a determined period of time. It can be used to demonstrate the capacity of the school to generate and retain income.

Cash Flow

The cash budget or cash flow is a forecast of cash availability that one has at a certain moment in time. By looking at the cash flow, you are able to see whether you need external financial aid or if you could invest excess cash in opportunities that would generate larger profits.

Budget

The budget is an action plan directed to accomplish a predetermined goal, expressed in financial terms that must be fulfilled in a determined period of time and under certain predicted conditions. This concept applies to every area of the organization

Each of these financial projections, ***Balance, Statement of Results, Cash Flow, and Budget***, can be seen in Manual 5, with examples.

SALES PROJECTION

One of the more delicate and critical parts of a business plan is predicting income: the sales projection.

You must define the increase of the level of sales and prices.

You will frequently be required to establish reasonable goals that can be reached by the School. It is tempting to use sophisticated methods of prediction, but these can backfire. For example, if the economy is in recession, historical data is used to predict sales would give absurd and damaging results. The techniques of prediction tend to assume that history will simply repeat itself and that does not always happen.

One has to examine the behavior of the economy and of the external factors that influence the School's sales. One must also check the projections for every item and decide whether they are realistic or not.

Nevertheless, in a short period of time you can do calculations based on historical data. For example, if you examine the seasonal behavior of sales (certain times of the year might produce peaks in the volume of sales, for example), then you can make a good inference of what may be sold in a year.

In the following chart a summary of a Sales projection of an Agricultural School is shown:

Sales	2008	2009	2010	2011	2012
<u>Livestock</u>	<u>26,423</u>	<u>44,130</u>	<u>70,525</u>	<u>88,332</u>	<u>108,545</u>
Cattle	9,847	21,330	26,683	31,857	39,000
Pigs	3,168	4,800	5,600	7,168	8,064
Hen-house	11,808	14,000	31,492	42,557	54,731
Apiary	1,600	4,000	6,750	6,750	6,750
<u>Agriculture</u>	<u>0</u>	<u>30,055</u>	<u>60,109</u>	<u>90,164</u>	<u>120,219</u>
Greenhouses	0	30,055	60,109	90,164	120,219
<u>Hotel</u>	<u>8,415</u>	<u>63,910</u>	<u>86,340</u>	<u>87,540</u>	<u>108,360</u>
Food and Accommodation	8,415	63,910	86,340	87,540	108,360
<u>Academic</u>	<u>1,200</u>	<u>2,400</u>	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>
Registration and family contributions	1,200	2,400	3,600	3,600	3,600
Total income of sales	36,038	140,494	220,547	269,636	340,724

Depreciation

Depreciation affects the finances of any company, even though the items to which depreciation applies aren't for sale, but are used in the production of the product or delivery of the service. The 'wear and tear' and eventual obsolescence of the depreciated

item means that it will need to be replaced at some future point and this will obviously cost money.

The depreciation is the reduction of the historical value of buildings and equipment. The contribution of these assets to the generation of income must be recognized periodically through the depreciation of its historical value. In order to calculate depreciation it is necessary to estimate the item's useful life span.

As we already know, depreciation is the reduction in value of fixed assets during their useful life. By useful life, we mean the period during which the asset contributes to the income generation of the company. In order to calculate depreciation, you must take into account the specification of the assets, the deterioration that they suffer as a result of their use, their obsolescence due to technological advances, the action of natural factors, and the changes in the demand of the goods and services to whose production they contribute.

Furthermore, there are various methods for the calculation of depreciation. There are also fiscal regulations.

A typical monthly depreciation might look like the following:

Year 2009																	Deprec.	Value
Goods	Value	year v.u.	D.A.	jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total	Acummul.	Residual
Grounds	10.500			0	0	0	0	0	0	0	0	0	0	0	0	0	0	10.500
Buildings	421.500	50	6.960	703	703	703	703	703	703	703	703	703	703	703	703	8.430	15.390	406.110
Furniture & equipment	124.400	10	10.650	1.037	1.037	1.037	1.037	1.037	1.037	1.037	1.037	1.037	1.037	1.037	1.037	12.440	23.090	101.310
Vehicles	25.000	10	2.500	208	208	208	208	208	208	208	208	208	208	208	208	2.500	5.000	20.000
Library	10.000	10	1.000	83	83	83	83	83	83	83	83	83	83	83	83	1.000	2.000	8.000
Computer equipment	10.500	3	3.500	292	292	292	292	292	292	292	292	292	292	292	292	3.500	7.000	3.500
Total	601.900		24.610	2.323	2.323	2.323	2.323	2.323	2.323	2.323	2.323	2.323	2.323	2.323	2.323	27.870	52.480	549.420

Financial ratios

These ratios, expressed in percentages, reflect the economic performance of the company. They relate the generated utilities to the resources used in the functioning of the company. To correctly calculate these indicators you will have to estimate income before interest and after tax, since you want to measure the economic performance of the company without

including the financial expenses for the use of loans. For the calculations you will use the data that appears in the Statement of Results and in the projected Balance Sheet of the company, since it's necessary to include in this analysis the value of all the resources used by the company. This includes the contributions that do not represent a cash expense like, for example, grounds and property inputs by investors.

Return on investment

Return on investment indicates the profits (expressed as a percentage), that the company generates for each invested dollar in the company. In other words: what the investor receives as earnings for each dollar that they have invested in the company. To calculate this index you must keep in mind the initial personal investment made by the manager, plus all of the resources for which the manager has to pay an interest rate, for example bank loans. In more general terms, the bigger the rate of return is over the investment, the bigger is the project's appeal. The financial expenses are not included in the calculation of the profits, since we are supposing that the company is self-funded.

Return on net assets

The return on net assets is the return that the manager receives for each dollar that the company possesses as assets. It is an indicator of the efficiency of the company, since it indicates the profits that are being generated by all the assets of the company. To calculate this indicator, divide total income by the total value of the assets of the company, including interest and taxes. In this calculation, we are again evaluating the company as though it is working exclusively with its own resources.

Leverage ratio

Leverage indicates the level of debt that the company holds with the bank or financial institutions. This indicator is important for observing the participation of the manager in the company. If the leverage is too high it could indicate debt problems in the company or cause problems when trying to raise new funds to face financial problems

Required investments

You must develop an analysis of the infrastructure and funds needed to action your Business Plan and you must quantify it with a high level of accuracy. This analysis, besides representing a guide of what is going to be needed for the Agricultural School, will be the base for determining the funds required.

Below there is a table that shows, as an example, a list of the investment required for an Agricultural School.

Concept	Cost (US\$)
Construction and equipment for education infrastructure	397 500
Purchase of the school's vehicle	25 000
Investment in the hotel	101 000
Investment in cattle	93 500
Investment in pigs	24 400
Investment in greenhouse	5 000
Investment in apiary	2 400
Investment in hen-house	60 500
Investment in vegetable garden	5 000
Working capital	30 000
Salaries, services, and other operational expenses	312 852
Investment in technical assistance	46 000
Total	1 103 152

Inventory

An inventory lists personal property, real estate, and livestock that the company owns in a determined economical period.

For many firms, the inventory represents the biggest of the current assets. Problems with the inventory can contribute to bankruptcy of the business.

An administration capable of doing an inventory correctly can make an important contribution to the self-sufficiency of the Agricultural School.

In an Agricultural School a very important element of the assets are the animals. This includes animals as both sale goods and as working animals.

San Francisco Agricultural School

The annual budget of the San Francisco Agricultural School is about US \$200,000, which not only includes all of the school's operating costs, but also the depreciation of its physical assets. The full amount is covered by income earned by the 16 small enterprises located on the school campus, and thus is money that other entities, such as the government or NGOs, do not have to pay to keep the school in operation.

Below is a table showing the schools animal inventory in US Dollars (\$):

Reference	2008			2009		
	Amount	Price	TOTAL (Us \$)	Amount	Price	TOTAL (Us \$)
1 Cows						
Initial Stock						
FEMALE	20			25		
Cows	20.00	700	14,000	25,00	700	17,500
Heifers	0	0	0	0	0	0
Calf	0	0	0	0	0	0
MALE	0	0	0	0	0	0
Bulls	0	0	0	0	0	0
Young bull	0	0	0	0	0	0
Oxen	0	0	0	0	0	0
Calf	0	0	0	0	0	0
TOTAL	20	0	14,000	25	0	17,500
2 Pigs						
Initial Stock						
FEMALE	10	5,000		12	6,000	
Adult	10.00	500	5,000	12.00	500	6,000
Young	0	0	0	0	0	0
MALE	1		700	1		700
Adult Breeders	1.00	700	700	1.00	700	700
Weaned pigs	0	0	0	0	0	0
Suckling pig	0	0	0	0	0	0
TOTAL	11		5,700	13		6,700
3 Birds						
LAYING HENS						
Current stock	1,000.00			1,000.00		
Purchases	0			0		
Losses	0			0		
Sales	0			0		
Final Stock	1000	1	1,000	1000	1	1,000
Total			20,700			25,200
Annual increase						4,500