

CHAPTER 8

How to

WRITE A BUSINESS PLAN FOR A FSS SCHOOL



INTRODUCTION



This chapter will lead you through the sections that must be included in a great business plan. By the time you have finished reading this chapter you will have the foundations of your business plan.

A business plan clearly sets out the objectives of your business. In this case, the business plan will be the plan for not only creating your FSS School, but it will also have imbedded plans which detail each of the businesses the School intends to create and run. It will state how those businesses intend to operate and how the businesses and School will become profitable.

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.

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.

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?

1. EXECUTIVE SUMMARY



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

The executive summary of your business plan is most often the defining section of your plan, which determines whether you have captured the interest of the reader or potential donor.

It is crucial when writing your executive summary that it not be cumbersome or lengthy, yet is still concise about what you are trying to achieve while making a quick clear point about who you are, and what you are trying to achieve.

a. WHAT SHOULD GO INTO AN EXECUTIVE SUMMARY?

The executive summary should cover details of what you are trying to achieve, or have already achieved, however at the same time being honest about the challenges you have faced or are facing.

It is vital that while writing this document you put yourself in the shoes of your reader, ensuring that you are answering the “questions” they would be asking. If for example you are approaching a donor who’s ethos is education, make sure you detail the importance of the “learning by doing approach” and the feeling that all income levels deserve access to **quality** education, which is what your institution is trying to achieve.

Don’t Make It Too Long. There is no hard and fast rule on how long an executive summary should be. A *suggested* maximum of two pages is long enough to detail the information you are trying to convey, but short enough to keep the reader’s attention!

Your plan should cover everything an outsider needs to know in order 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. How you will run your dairy or who is the big local competitor in the rabbit meat market is too much information for an executive summary.

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

Make sure when presenting the business plan that you are completely au fait with the information that has been disseminated in the executive summary. This is a key area that donors choose to question you from!

2. BUSINESS DESCRIPTION



The objective of this section is to help you provide an effective overview of how to identify and describe the school businesses that will generate income in the school as well as outlining their non-financial objectives.

a. INTRODUCTION OF THE BUSINESS 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 along with the range of business activities the school is looking to pursue.

For clarity we will refer to the school's income generating units as 'business units' throughout this manual. Although each unit fulfills an educational purpose, thinking of them as 'business units' 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 should be referred to as the Dairy Business and Poultry Business, etc.

Besides illustrating the goals you want to achieve you also need to identify milestones. 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.

For each project we must evaluate both the learning and earning aspects.

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 studied 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 market research the school decided to work with 1000 chickens that would produce about 700 eggs per day.

b. DESCRIPTION OF YOUR BUSINESS UNITS

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. The business plan should detail each income generating unit measuring according to the market, the physical space available, the resources available and the contribution that the self-sufficient school can make.

If we are communicating with potential buyers through the business plan, then we need to clearly illustrate the plan of action of each business with precise production estimations (according to the above resources), so that we don't over cater our capabilities and then later fall short of our promises.

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.

Deciding what the business is now 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.

Key question areas when working on this section:

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

3. MARKET RESEARCH



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

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. They did not take the time to do solid market research before starting and found themselves faced with unexpected challenges or road blocks.

“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 needs 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 should you start your business with?
- What other products might also be viable for production in the future?

The better informed your decisions are, the greater the chance of your school businesses of being successful! Before you start thinking about how to conduct your research, let us start by taking a step back and making sure we understand what a market actually is.

a. 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. To avoid confusion, normally when we talk about markets in the FSS School Hand Guide 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 market can be a single physical location

In almost every country there are vending 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 have more than one location

When we talk about a ‘market’ in this second sense there are two big differences:

1. We are normally talking about only a limited range of goods or services, for example, we might talk about the market for tomatoes.
2. 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.

A few facts about markets:

- Markets can be local, regional, national or global.
- 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 FSS 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. This happens for example when there is only one buyer for a product, or through price interference where governments offer subsidies to producers.

b. THE IMPORTANCE OF MARKET RESEARCH

It is essential that when you start planning work on your FSS 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

A school's 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 would 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 enduring 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 would have properly studied 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? For example, price, quality, reliability, scale.
- Is the target market local, regional, national or international?
- Who are the direct and indirect competitors?

Market research by itself cannot guarantee 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.

c. HOW TO CONDUCT MARKET RESEARCH

As we have discussed, market research is the gathering of information of your market and competitors. There are many ways in which you can go about this. Below we provide you with some suggestions on how to conduct a market study.

1. Determine the goal of your market research. Are you looking to find out who are the sellers in your market?, or what products are in demand?, or maybe who will be your customers?
2. You can start studying your market by looking through local magazines, newspapers, government gazettes, etc. to see who the vendors are and where they are located.
3. Do a telephone survey by calling local farmers, markets, stores and potential clients and asking them about purchasing and selling habits.
4. If you are taking over a business, i.e. not starting from scratch, then phone existing clients and find out if they are currently happy and hear what suggestions they have.
5. Watch customers at local stores and see the buying trends in your area. Do people go to different stores for example to buy meat products than to stores for fresh fruit and vegetable produce?

6. Lastly, you need to organize all the information that you have collected to see the patterns and give you an advanced understanding of the market you will be serving.

d. WHAT YOU HAVE LEARNED FROM YOUR MARKET RESEARCH

Market research should assist you in the following ways:

- a. You should 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.
- b. Clarified 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.
- c. Have an understanding of what kind of people will be interested in your goods, which will help you with the orientation of the business and determine the volume of production.
- d. Provide you with 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”.
- e. Help you decide the right size for your business to start at which will then be the platform for your future expansion plans and its ongoing growth.
- f. Tell you the usual distribution channels for the type of product or service that you are offering and how it functions.

The study of the market enables us to understand what the demand for the product is. For the school, it will not be enough to produce quality and sufficient volume of the product, but it will have to adapt its production to the market demand too. What we want to produce or what is obtained easily is not always what the market demands.

It is important to keep in mind the seasonality of the products because this affects the prices as well. This means that when a product is in demand or in its peak, the prices tend to rise, especially if the product is scarce. On the other hand, if there is a lot of demand and no seasonality for the same product, the prices are generally lower.

4. COMPETITOR ANALYSIS



The objective of this section is to help you analyze your competition and define who they are.

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.

a. WHAT IS A COMPETITOR ANALYSIS?

When identifying your competitors it is important to understand that these can be direct or indirect. It's easy to find out whom your direct competitors are because 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, check local newspapers, and visit local markets.

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.

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 have.
- What their sales price to the public is.
- What the quality of their product is.
- What commercial strategy they use.

b. WHY IS COMPETITOR ANALYSIS IMPORTANT?

The stronger the competition, the harder it will be for your business to find customers and generate income for your school. Once your target market has been determined you will 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.

One of the most important factors that must be analyzed is the sales volume 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 there 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 direct your sales to sectors with good buying power. These are the clients who are willing to pay a better price while demanding better quality. To be able to work with that segment of society you require a personalized initial introduction that quickly helps you to create a relationship with them so you can count on a stable consumer base going forward.

c. HOW DO YOUR COMPETITORS COMPETE?

Once your competitors, their size and the type of market they are catering to are identified, it's necessary to find out in what way they compete so that you can discover or strengthen your 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 present 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 products and similar margins, but they differ in other details like opening hours, comfort of facilities 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 is possible 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. Thus, this is why a competitor analysis must be done!

d. UNDERSTANDING 'PRODUCT OFFERING'

If you understand your competitors' product offerings, it will assist you in comparing the products and services offered by the School to those that they offer. Analysis of product offerings in the market will help you know:

- Who is offering the same goods or services?
- What are the characteristics of their products in terms of type of good, quality, and the like?
- What is their sale price?
- Where is their market based geographically?
- What is their supply volume?

The following table can assist you in understanding how to look at local product offerings.

Data of Producers in the area					
Name of producer	Area of operation	Price of product to 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 in this chart but it is something you must accomplish. It is important to visit the supply centers and the supermarkets to see what products are being 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 traders 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.

You can also then decide whether you would like to sell directly or indirectly to your buyers. By this we mean:

1. If you have chosen to sell your product through local traders, you can analyse the above information and decide where you will make your best sales in a competitive way.
2. If you sell directly for example through your own store, you will be aware of the competitors, producers, traders, etc. and make decisions accordingly.

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

5. SALES & MARKETING PLAN



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

Formulating a strategy on how you will present your product in your chosen market is your next step. You also need to consider pricing and what channels you are going to use to make your sales. It is fairly clear what sales involve but let's start by making sure we understand what 'marketing' is.

a. MARKETING – WHAT IS IT?

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 and promotion, which are often referred to as the 4Ps.

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 or service justifies the price that the seller is asking. How that price is set is a market-determined decision, which can have a huge impact over sales.

2. PRODUCT

A customer will only buy what you are offering if your product or service meets their needs and/or desires. Very few products or services are 100% standardized. Adapting the product to maximize its attractiveness to the target customer is therefore part of marketing.

3. PLACE

Place is the determination of where the product is sold. The first decision is whether to sell to the retailer or directly to the consumer. The next decision is to work out where the best market will be for your product, for example the corner co-op store or the local Sunday town market!

4. PROMOTION

Making sure that your target customers are aware of your product, its features, where they can buy it and the benefits of your product over competitors, will all be communicated through the marketing promotion of your product.

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.

b. PURPOSE OF THE SALES & MARKETING PLAN

By putting your sales and marketing 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 and 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 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 and marketing plan you will be able to check them later based on your actual experiences. The sales and marketing plan is therefore an important part of your institutional learning and one that will help you continually improve your businesses' effectiveness.

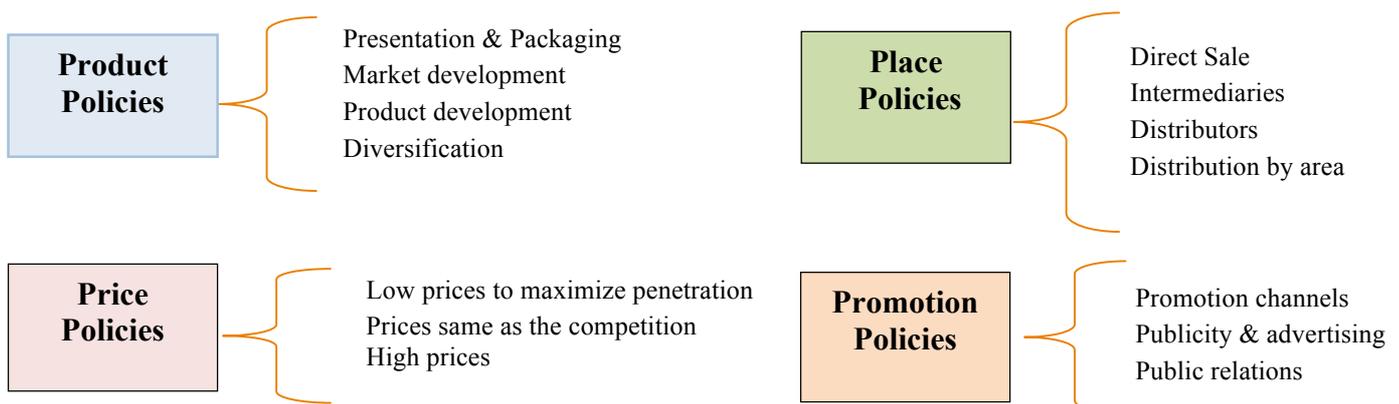
c. CREATING YOUR SALES & MARKETING PLAN

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.

In the long term, 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 in itself a useful marketing strategy.

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



There are further areas that need to be examined when creating the plan:

1. PRODUCT

There are other areas that need attention in relation to the product:

- Market penetration – how to enter the market
- Market development – how to find new niche markets
- Product development – how to develop or enhance your product
- Diversification – how to expand your product offering

2. PRICE POLICY

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

- Penetration prices or low prices.
- Same prices as the competition.
- 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 an assumption of lower quality.

3. 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 distribution is, the more of your profits you will have to share.

4. PROMOTION

We should not neglect the way we are going to make our products known to the clients. Some options are:

- Promotions
- Advertisement
- Public Relations

Using a combination of the previously mentioned variables you can establish a strategy to reach the projected 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.

d. 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, and it is why the sale projections should be established.

In the sales budget you must complete the sale projections and how much each product will represent in monetary values. This is the result of 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 units that these sales will generate.

A. Product's Sales 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 activities chart details the activities that will be developed as part of the plan or strategy of communications established.

B. 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>												

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.

C. Annual budget of Marketing Activities													
N e	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1													
2													
3													
4													
5													
6													
7													
8													

6. OPERATIONAL PLAN



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

a. PURPOSE OF AN OPERATIONAL PLAN

The Operational Plan as its name implies, explains how the practical side of your business operations will work. No matter how good your sales and marketing strategy, if you can't actually make your product you will have nothing to sell when the consumer demands. Likewise, if you can make your product but not at a cost that leaves room for profit, then there's no point in setting up your school business at all.

The Operational Plan explains exactly how you will make your product or deliver your services and what the costs of these will be. 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 hopefully anticipate the major risks and challenges that your business faces with suggestions on how you will deal with them, but not necessarily help you avoid them completely.

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 to, 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 is 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, for a school business offering adult evening classes, the operational plan would be expected to be relatively short compared to the marketing plan.

In summary, your operational plan will lay out a roadmap of how you will manage the production or service delivery side of your business, minimizing risks and ensuring profitability.

b. 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 as this might make analysis harder and in consequence backfire. Keep in mind the following:

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

Example of an operational plan

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 production process that will combine those resources, for example the assembly line and the full scale potential in terms of production capacity.
- The possibility of production processes to respond to a rise or fall in demand.
- Your method 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 that is technically complex.

Detail the following:

- How will the production process be accomplished?
- What will the basic raw materials be?
- What is their origin?
- What technological processes will be used in the production?
- Details of the qualifications and training of the workforce.
- How will the process of distribution be done?

External influences:

- Changes in your production resources
- Changes in technology
- Government regulations

7. MANAGEMENT AND STRUCTURE



The objective of this section is to help you build the general structure and administration of a FSS School and its businesses.

a. ADMINISTRATION RESPONSIBILITIES

The administration is responsible for the success or failure of the school and its businesses, and 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 occupying a position of responsibility it is necessary that you describe in detail their formal professional experience, their specialization in a determined functional area or sector, and a list of their achievements throughout their professional careers.

These descriptions will increase the trust of potential investors in the FSS 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 compensation corresponding to each position.

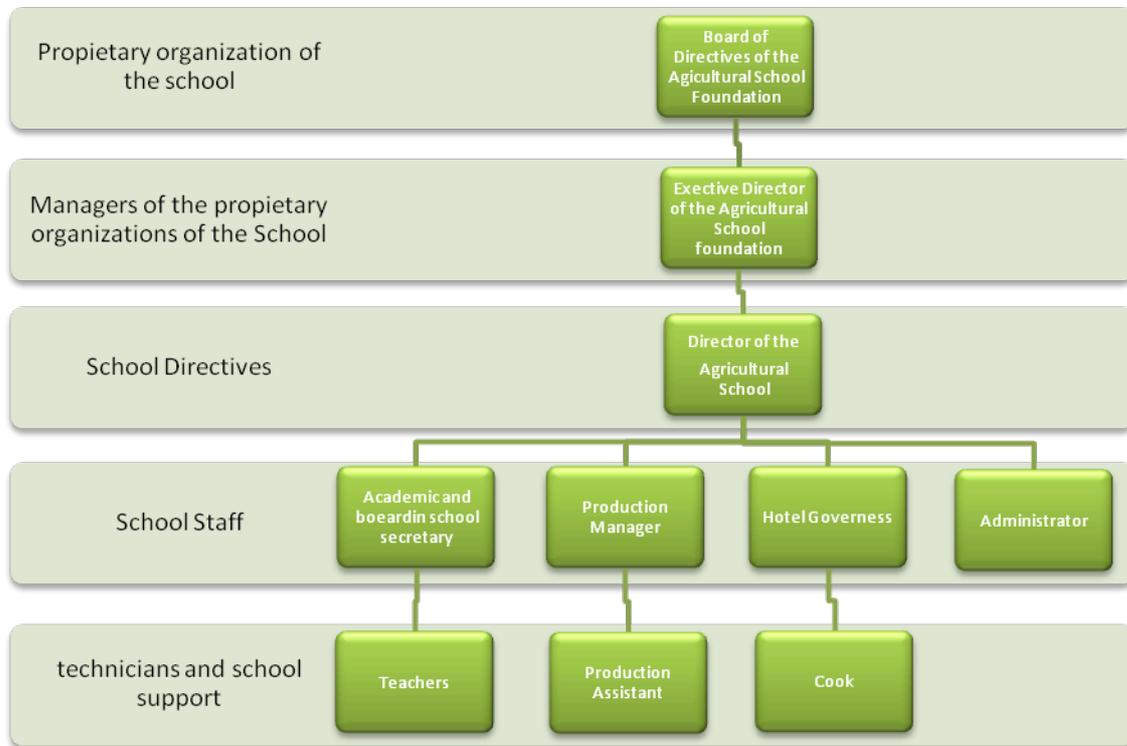
You must also define:

- Labor categories that will exist in the FSS School.
- Jobs that each category will fulfill.
- Labor agreement with the workers.
- Hiring channels.
- Number of workers per position.
- Working hours that will guarantee the correct functioning of the School.

Keep in mind that the FSS School will require a core of support staff to deal with any unforeseen events that might occur, affecting the School in general and the productive areas in particular. You should draw up an organization chart of the School by activity areas and designate specific people in the management positions.

Below is an example of an organization chart of an FSS School with a description of each position:

Structure Type – Agricultural School Organization Chart



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

b. SPECIFIC FUNCTIONS OF THE ADMINISTRATION

Dealing with the challenge of building a FSS 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:

- Proactive approach to work
- Responsibility
- Drive
- Emotional stability
- Ability 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:

1. EXECUTIVE DIRECTOR OF THE AGRICULTURAL SCHOOL FOUNDATION

The legal representative of the Foundation to whom the Director of the Agricultural School reports.

2. EXECUTIVE DIRECTOR OF THE AGRICULTURAL SCHOOL

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

The Director will mainly be in charge of:

- Planning activities in accordance with the philosophy and mission of the organization, and the establishment of annual goals.
- Working with the Production manager to draw up the annual Business Plan.
- Analyzing and disseminating the Management policies so that they work as guidelines for the personnel that result in an appropriate performance.
- Upon request, managers should inform supervisors of important aspects related to their area.
- Planning the application of an authorized budget along with the personnel, the production process and the type of services that will be required.
- Making sure the policies of the organization are respected, and the implementation of necessary controls to secure the integrity of the business.
- Following established and legal processes.
- Making sure regulations are followed in every sector.
- Analyzing and introducing with the co-operation of each area manager work methods that will fulfill the program objectives, keeping in mind the vision and policies of the organization as well as the improvement of the product.
- Scheduling work meetings with area managers with the goal of exchanging information, coordinating tasks, solving problems and offering appropriate guidance for every situation.

3. PRODUCTION MANAGER

The School will have a Production Manager who will be responsible for both the agricultural and cattle production of the institution. He will be responsible for planning, enforcing and monitoring 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 duties of this position are:

- Preparation of reports on the plans and programs of production.

- Presentation of the production reports to the Director.
- Proposal of new work ideas while maintaining the vision and mission of the program.
- Supervision of the execution of the farming production plans, together with the production coordinator.
- Supervision of the execution of the projects and plans of the vegetable garden, together with the Extensive Crops manager.
- Participation in the process of monitoring, evaluation and budget of the farming production projects and plans.
- Coordination, with the teaching staff, of the annual didactic-production plan to be taken to the School directors for approval.
- Holding responsibility in the presence of the School Director for the execution, implementation and evaluation of the Didactic-Production plan
- Coordination of the production activities so that the teaching is effective.
- Guidance provided to each area manager concerning the available resources and priorities.
- Planning for the required materials and resources required for the annual program.
- Preparation of a monthly area activity plan to request in advance the necessary resources for its implementation.
- Coordination of the activities of the technical areas under his or her responsibility.

4. PRODUCTION ASSISTANT

The Production manager will count on the support of assistants in each area. Their main duties will be those of executing the plans and developing the production areas of the School. Production assistants should be agricultural technicians with teaching abilities.

5. ACADEMIC AND BOARDING SCHOOL SECRETARY

The academic and boarding school secretary is responsible for:

- Managing the school timetable, maintaining the required documentation, the register, and presenting all documentation requested by the state organizations for the correct functioning of the school.
- Verifying adherence to the appropriate legal processes.
- Preparing reports of achievements and plans for the Directors.
- Organizing the documents and general archives of the institution.
- Managing the School's correspondence.
- Helping visitors 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.
- Ensuring that students attend classes and follow school rules.
- Monitoring the state of the dorms and emergency exits.
- Organizing visitor permits and authorizing visits of friends and family of the school community.
- Evaluating and following up on students.

6. TEACHERS

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

7. ADMINISTRATOR

The administrator is responsible for the entire area of administration and accounting of the school. The duties of the administrator include the registration of accounts, legal and tax documentation, supervision of financial statements, managing the relationship with the banking institutions, among others.

Other duties related to this position are:

- Writing the annual budget of the School.
- Maintaining control over the budget execution.
- Regular monitoring of the budget to make any necessary adjustments.
- Processing the data coming from the different areas of the school through the accounting system, i.e. the production area, the academic and community training center, etc.
- Coordinating an ongoing flow of information from the diverse areas of administration.
- Maintaining periodical meetings with those in charge of production to revise and evaluate the progress of the different plans of production.
- Maintaining control over and ensuring the efficient use of the school resources.
- Establishing an adequate internal control system.
- Negotiating with clients and suppliers to secure the most convenient financial terms for the school.
- Maintaining a communication flow with the central administration of the Foundation so as to ensure meeting the needs of the school, for example payment of suppliers, requests for financial input, etc.

8. GOVERNESS

The Governess is responsible for the master key of all buildings in the School, chiefly the hotel. The cook will be under his or her supervision. Some of the duties of this position are to:

- Welcome and manage guests.
- Register guests arrivals and departures.
- Organize the events that take place in the hotel.
- Monitor the standard of customer service provided to visitors.
- Encourage excellent customer service.

8. FINANCIAL PLAN AND PROJECTIONS



The objective of this section is to help you understand the financial reporting tools and how they assist in the management of a FSS School.

a. UNDERSTANDING FINANCIALS

Financial reporting tools study the cash flow between the FSS School and the variety of bodies they work with. These bodies could be individuals, enterprises, the State, etc.

They also study the way in which the school will obtain the funds needed to accomplish its objectives. The reporting documents examine the conditions in which one gets the capital, its use, and the payments and interest that are involved in financial transactions.

These financial statements comprise the final product of the accounting and basically consolidate the financial situation of the company. This information is useful for the administrators and other interested parties such as shareholders, creditors or owners, etc. What follows is a detailed explanation of the different financial statements.

1. BALANCE SHEET

The general balance sheet shows the financial position of the company at a certain point in time. It can be used to demonstrate the debt capacity of the school.

2. PROFIT AND LOSS STATEMENT

The profit and loss statement shows the financial position of the company during a specific period of time. It can be used to demonstrate the ability of the school to generate and retain income.

3. CASH FLOW

The cash flow is a forecast of cash available 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.

4. 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 projected conditions. This concept applies to every area of the organization.

5. SALES PROJECTION

One of the most delicate and critical parts of a business plan is forecasting income, which refers to the sales projection. You will frequently be required to establish reasonable goals that can be reached by the School. It is tempting to use sophisticated projection methods but these can backfire. For example, if the economy is in recession, historical data used to forecast sales would give illogical and detrimental results. The forecasting techniques 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, for a short period of time you can do calculations based on historical data. For example, if you examine the seasonal behavior of sales during certain periods of the year you might find peaks in the sales volume, and based on that you may draw projections for the next period.

The chart below shows a sales projection summary of a FSS school.

Sales	2008	2009	2010	2011	2012
Livestock	26,423	44,130	70,525	88,332	108,545
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
Agriculture	0	30,055	60,109	90,164	120,219
Greenhouses	0	30,055	60,109	90,164	120,219
Hotel	8,415	63,910	86,340	87,540	108,360
Food and Accommodation	8,415	63,910	86,340	87,540	108,360
Academic	1,200	2,400	3,600	3,600	3,600
Registration and family contributions	1,200	2,400	3,600	3,600	3,600
Total Sales Income	36,038	140,494	220,547	269,636	340,724

6. DEPRECIATION

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.

Depreciation affects the finances of any company, even though the items to which depreciation applies aren't for sale but 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.