

MANUAL 4

HOW TO GENERATE SCHOOL INCOME



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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Visit www.teachamantofish.org.uk and www.fundacionparaguaya.org.py for more information

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1. INTRODUCTION

"It is better to light a candle than curse the darkness"

Eleanor Roosevelt

We know that we don't live in a perfect world. To take just one example, all children wherever they live, and no matter how poor their families, deserve a high quality education. Yet in many developing countries governments just can't or won't cover the cost of providing this.

There is an alternative. A school that can generate its own income can provide education to even the poorest students *without relying on government support or charging students fees.*

Establishing such a school is your chance to light a candle – this manual aims to help show you how.

If generating income were easy we'd all be rich!

The fact is, generating sufficient income from business activities to cover the operating costs of running a school is hard – ***but it can be done!***

Most individuals involved in education and development work will have had little first-hand experience themselves of running a profitable business. This can make the idea of setting up school business units quite scary. Moreover it increases the chance of making basic mistakes which could have easily been avoided.

This manual should help make the process a little less scary and give you the confidence to get started generating income for your school.

As you work through the chapters we'll take you step-by-step through the process of thinking about what businesses your school could successfully run, how to manage such a business effectively, and how to grow the school's businesses over time.

SCHOOL IN A BOX is designed to be a practical guide to creating a Self-Sufficient School. As such, the ideas that you develop as part of ***How To Generate School Income*** should form the basis of your school's business plan – a key document both for securing funding, and providing a common vision to guide the school's development.

2. INCOME GENERATION IN SCHOOLS

The objective of this chapter is to provide you with some effective strategies for increasing the income generated by your school business.

When you have finished reading this chapter you will understand:

1. How 'learning by doing' can be enhanced by introducing income generation in schools
2. How income generation implies a changed role for teachers
3. The role of incentives in creating momentum for success in income generation

HOW DOES INCOME GENERATION IN SCHOOLS SUPPORT EDUCATION?

FROM "LEARNING BY DOING" TO "SELF-SUFFICIENCY"

The aim of any school should be to deliver the best possible education to its students. Whatever the subject being taught, one of the most effective ways to build understanding of a new concept is to use real-life examples.

When it comes to acquiring practical skills this is even more important – you can read as many books as you like, but you can't really learn how to milk a cow without having milked a cow!

For this reason we believe **the best education a young person can receive is based on "learning by doing"**¹.

Offering a practical education is however a more expensive option than just using a blackboard. Agricultural schools, for example, need facilities for raising livestock, fields and gardens, workshops, machinery and other equipment to implement the "learning by doing" methodology.

As you'll have read in previous manuals, even learning useful practical skills is not enough by itself to ensure graduates are equipped to earn a good living for themselves after leaving

¹ For more detail on how to use these teaching methodologies see **Manual 6 - How to Educate Successful Rural Entrepreneurs**.

school. What we're really aiming at is not to just teach young people about a specific crop or type of livestock, **but rather how to create a business based on a given agricultural activity.**

Connecting "learning by doing", to teaching students how to earn income from their skills, results in an even more powerful methodology of "learning by doing and earning".

It follows that if a school needs a milking shed to teach students how to milk cows, it needs a school dairy business to teach students how to make money from milking cows.

There is no value in teaching students how to lose money - **for a school business to provide students a genuine understanding of how to make money, it must be able to generate a profit.**

This is at the core of the Self-Sufficient School model, offering as it does both **a more effective educational approach, and the means to pay for the higher costs of using such an approach.**

THE ROLE OF SCHOOL BUSINESSES

Within the Self-Sufficient School model school businesses serve two clear functions:

1. Educating the students in an entrepreneurial environment in which technical knowledge is combined with the business practices and business management that will make them successful upon graduating from the school.
2. Generating income to support the financial self-sufficiency of the school.

A
CHANG
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This
new
vision
of
educati
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requires a high level of commitment on the part of educators, who must now take on a new function which is not only a matter of "teaching," but of "learning, producing and earning".

As part of a Self-Sufficient School they will no longer limit themselves to theoretical classes in the classroom, isolated from the real world. Alongside theory, they will teach the practical uses for their subjects and the hands-on skills associated with it. Moreover they will take the lead in production and business decisions within the school business which relate to their expertise.

Let's look at a practical example:

At the San Francisco Agricultural High School, run by the Fundación Paraguaya, educators in both technical and traditional subjects, employ the methodology of learning by doing while running a number of profitable business units.

Within this methodology, the instructor in charge of large livestock takes on the function of a dairy manager. Among his or her responsibilities are:

- Teaching students to work with the cows and calves
- Teaching students the milking process
- Teaching students about the importance of hygiene in keeping animals healthy
- Monitoring how many liters of milk the dairy produces per day as well as the production per animal
- Ensuring sufficient labor is available and budgeted for
- Keeping track of production costs, e.g. cost of feeding the herd
- Managing other costs that may be generated

By fully understanding not only the production process, but also the costs of production, the instructor can play a central role in:

- Marketing strategy: where and how to sell
- Sales strategy: how much to sell and at what price

Decisions about the productive areas, which are going to generate income towards the self-sufficiency of the school, are based on meeting the needs of the market, identifying profit-making opportunities and value-added areas.

LINKING REWARDS, RESPONSIBILITY AND PERFORMANCE

Changing the role of the teacher, increases their level of responsibility, but offers them a chance to broaden their skill-set, and a greater sense of satisfaction through expressing their entrepreneurial flair.

In recognition of this greater responsibility, and the contribution of these extra efforts to the school's improved financial position – as well to increase their motivation to succeed – it is recommended that a performance based incentive plan is put in place².

*In this chapter we've looked in more detail at **why** income generation in schools is useful both for the student and for the institution.*

*In the next chapter we'll start to look at **how** a school can start introducing income generating activities in its work.*

² This is covered in greater detail in **Manual 3 – How To Organize Your School**

3. BASIC PRINCIPLES OF INCOME GENERATION

In this chapter we'll look at the basic principles of income generation and how to begin implementing them at your school.

The same concepts can and should be applied to:

- Agricultural practices
- Business activities
- Administration of business units

STEP ONE: IDENTIFICATION OF POTENTIAL BUSINESSES

The first thing you should do is identify the business opportunities that the school may have. To do this the productive resources of the school, as well as the market, should be taken into account.

The below chart gives a summary of some typical business opportunities which can be conducted at an agricultural school:

Primary Activity / Product	Secondary Product	Processed Product
ANIMAL		
<p>Herbivore Cows (Beef) Sheep (Mutton) Goats (Goat)</p> <p>Omnivores Pigs (Pork)</p> <p>Small Mammals Rabbits (Rabbit) Other e.g. Grass-cutter, guinea pigs etc..</p>	<p>Milk Offspring for meat (lamb etc.) Offspring for fattening (calves, piglets etc) Offspring as pets (rabbits, guinea pigs) Reproduction services</p>	<p>Dairy Yoghurt, cheese, butter, cream, ice cream</p> <p>Meat Sausages, pies, dried & smoked meat etc.</p> <p>Non-food Wool, skins, leather etc.</p>

SCHOOL IN A BOX

<p>Poultry & Birds Chicken (Chicken) Geese (Goose) Ducks (Duck) Pigeons (Pigeon)</p>	<p>Eggs</p>	<p>Meat: Sausages, pies, dried & smoked meat, mayonnaise etc. Non-food: Down & feathers</p>
<p>Bees</p>	<p>Honey, pollen, wax, honeycomb, royal jelly, queens</p>	<p>Non-food: Candles, healthcare products</p>
<p>Aquaculture Freshwater Fish (Tilapia, Nile Perch, Trout etc.) Prawn & Shrimp Shellfish</p>	<p>Fingerlings (for fish farms)</p>	<p>Meat: Dried / salted / pickled / smoked fish. Fish eggs</p>
<p>Misc Frogs, snails etc..</p>		



AGRICULTURE

<p>Horticulture Vegetables Herbs Spices Nuts</p>	<p>Seeds Seedlings / Plants</p>	<p>Food: Preserved (dried, pickled, salted) Condiments (Sauces, Chutneys, Pickles etc..) Processed (vegetable crisps, peanut butter etc.) Oils & flavoured oils Medicinal: Dried herbs</p>
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<p>Fruits</p>	<p>Seeds Seedlings / Plants</p>	<p>Food: Jams & Preserves Dried fruit Juices Fruit wines Vinegars</p>
<p>Cash Crops Coffee Cocoa Cotton Soya etc..</p>		<p>Food: Ground roasted coffee Chocolate, cocoa butter etc.</p> <p>Non Food: Textiles (cotton / flax) Biofuels</p>
<p>Staple Crops Maize Potato Rice Cassava / Yucca etc..</p>		<p>Food: Crisps Baked products etc.</p>
<p>Trees (Wood)</p>	<p>Seeds Seedlings</p>	<p>Farm products e.g. fences, bee-hives etc.. Household products e.g. furniture Artisan & Craft products Processed products e.g. paper, charcoal etc..</p>
<p>Other Flowers Mushrooms</p>		<p>Processed: Dried, oils etc..</p>
<p>SERVICES</p>		
<p>Skilled Services</p>		

Veterinary services
 Agricultural / Educational Consultancy
 Marketing services
 Export / import services



Facility Based Services

Conference facilities
 Catered events e.g. weddings Tourism /
 Eco-tourism facilities
 Short courses & evening classes
 School shop
 Internet Cafe
 Workshop / Processing facilities

The need for an agricultural school to provide a broad education means that many of these activities will already be conducted for demonstration purposes.

The key choice therefore is to about which opportunities to pursue at a greater scale. **When the time comes to decide what businesses to develop at the school, the most important thing is to know the market.**

Relevant market knowledge is normally highly specific to a country, and normally to a region or locality within that country. This makes it very hard to give useful general advice on what activities will best suit all schools.

Nonetheless **there are some common experiences worth taking into account:**

- ✓ Demand for good quality meat and dairy products is normally strong in most countries, hence livestock can represent a very important source of income.
- ✓ Products with a higher market value, for example flowers and decorative plants can be highly profitable, and reduce the school's need to compete with local farmers . Such products usually generate more income per unit of surface area than more traditional activities - although often they require greater attention, specialized knowledge, and more developed marketing expertise. Beekeeping is another example of such a product which with the right training and equipment almost all schools will be able to profitably undertake.
- ✓ Traditional bulk crops and staple foods such as wheat, maize, sugar cane, cassava etc. tend to have low profit margins, and require large scale operations to be profitable for a school. Moreover they are often an important source of income for local farmers which puts the school in direct competition with them. As such unless

an extremely large amount of land is available it is not recommended that this is pursued as an important source of income for the school.

- ✓ Services and other non-agricultural businesses often represent very interesting sources of income and an enriching educational experience for students. They frequently offer relatively high profit margin, can be conducted with less available space, and may even create new business opportunities and jobs elsewhere in the local community.

INCOME GENERATION IN SCHOOLS – SOME REAL-LIFE EXAMPLES

The following two examples demonstrate how non-agricultural and service business can help schools to generate income.

ARTS AND CRAFTS

As well as using local resources, crafts are a means of recycling many materials. They are also an opportunity to encourage the personal creativity of the students. This source of income should be examined carefully, considering that developing crafts and artisan-style products does not require a large investment. Some processes which are begun manually might be finished using machinery.

At the Fundación Paraguaya's agricultural school one of the instructors in charge of the workshop discovered a business opportunity by putting to use two types of bamboo which grow at the school.

Previously the bamboo had been left to grow pretty much as a decorative weed at the school – taking up space that could have been used for productive purposes. By cutting the bamboo into different length sections and placing candles in the hollowed centres, they have developed a distinctive multi-tiered ornamental candle range.

With attractive but rustic packaging the candles make an ideal gift item for special occasions at are sold at the capital's craft shops at a good price – despite each arrangement only taking minutes to make using low cost materials.

RURAL TOURISM

Developing opportunities for tourism and outdoor education programs offers an interesting way for agricultural schools seeking self-sufficiency to generate resources.

Whether tourism is viable at a school will depend mainly on:

- The geographic location of the school

FACT: Did you know that?..
...tourism is the fourth most important industry in the world and reports from the World Tourism Organization show a sustained growth in this economic segment.

- Whether any of the productive activities carried out at the school represent an attraction

Some of the benefits tourism can bring as a business activity include:

- Fuller use of school infrastructure
- Service skills training opportunities for staff and students
- Increased institutional visibility for the school
- New sources of employment for the local community
- Creation of new markets for the school's products
- Strengthening of alliances with a range of business, civil society, and government partners at the local, national and international level

The Fundación Paraguaya's agricultural school lies 48km outside the capital city of Asuncion. To create an additional income stream based on tourism they made a strategic investment of US\$60,000, to remodel an former religious retreat center which was located on its property.

It now functions as a profitable rural hotel and conference center now with capacity to house up to 120 people in a modern, comfortable and economical setting. The center has been used for outdoor education programs, congresses, seminars and other events.

Not only is revenue generated from accommodation and room hire, but the hotel also consumes a wide variety of other products generated at the school including fruits, vegetables, dairy products, and decorative crafts. Although the business required a relatively large up-front investment, it now generates an impressive \$100,000+ per year in income - roughly 30% of the total income of the school.

Note: Unless your school is based in an area which already has a developed tourist industry, it can be quite hard to develop sufficient interest to attract visitors just by your own efforts. So when the time comes to develop your tourism "product", be sure to find out whether there are other initiatives targeting tourists in the area. Offering several attractive activities or elements in a "package" can often substantially improve the attractiveness of your offering, along with the final price, making it more competitive.

HIGHER MARGIN APPROACHES

ADDING VALUE

Creating a product using raw materials already produced at the school itself is the most common form of adding value to production.

Fruits and vegetables can be used to make homemade jams and pickles in the school's own kitchen. Industrial-scale production requires fairly expensive equipment and infrastructure, but will quickly be able to generate more income than homemade production.

Manure from animals can be converted into gas for fuel or into natural fertilizer. It is a fairly novel product; by using worms, manure can be turned into an effective fertilizer that can be packaged and marketed to plant nurseries.

Often value addition through processing will result in multiple new products. One example would be the milk produced in a dairy, which can be used to make cheese and yoghurt. The whey left over from cheese production can be used again to make ricotta, and can also be fed to pigs (if the school has any).

Similarly, soy milk has high nutritional value, both for people and animals, and the soy flour - a by-product of its extraction - can be used to make delicious dishes such as cakes, croquettes and filled-pastries.

The industrialization processes often required for value addition also offer an important source of training and learning for the students.

TECHNICAL ASSISTANCE:

For schools which have gained solid experience in managing profitable business activities, providing technical assistance is also an interesting source of income.

The local community is an important potential client for this service, given that the school has trained technicians on staff who could develop programs in partnership with local government or civil society groups, as well as other educational institutions.

Assistance can be offered not only in any of the business areas which the school operates, but also in academic and organizational matters to other academic institutions that seek to fully or partially replicate the Self-Sufficient School model. The experience and knowledge acquired by the school's management, technicians, instructors and administrators is highly valuable.

Providing technical assistance, moreover, has advantages beyond generating additional school income. It can form part of the school team's ongoing training, requiring them to update their skills and knowledge, and generate direct contact with the market – including potential employers for graduates.

Having students participate in technical assistance projects gives them additional training that will expand their opportunities for employment when they finish their secondary schooling.

FROM HAND-CRAFTED TO INDUSTRIAL: AN EXAMPLE FOR ANALYSIS

First case: The kitchen at Fundación Paraguaya's agricultural school can produce cheese from up to 100 liters of milk per day, using its normal equipment, furnishings and utensils. No significant investment is necessary to carry out production, and usually the product is some type of fresh cheese. In most cases this is the cheapest and most frequently consumed cheese on the market.

Second case: In order to go from hand-crafted production to more industrial-level production, an investment of at least US\$4,000 is necessary, assuming that the infrastructure for installing the cheese vat and accompanying components is available.

However, to make other products other equipment is necessary, and consequently a larger investment will be necessary. A small dairy plant, not operating continuously and expected to process 300 to 500 liters of milk a day will require an investment of approximately US\$30,000.

WHICH TO CHOOSE: INDUSTRIAL OR HAND-CRAFTED?

The only thing we can be sure of here is that both methods are viable, and it is possible to make a long list of the advantages and disadvantages of each type of production.

In daily life we have observed many successful small-scale cheesemakers, and of course we have also seen successful factories. Likewise, we have certainly seen small-scale cheesemakers fail, and industrial operations shut their doors.

Both options can provide a chance for the school to generate income. The best way to operate will be shown by a responsibly designed business plan with accurate information.

In Chapter 9 of *How To Generate School Income* you will find a complete guide and the information necessary to create a business plan.

4. GOOD RECORD KEEPING

This chapter aims to convey the importance of keeping records of your production and commercial activities, as these are critical to making effective business decisions.

Rural entrepreneurs are often found to be “bad with a pen”. This isn’t necessarily because they don’t know how to read and write - but more often that they don’t see the value of recording the events and activities that occur in the process of their work. They feel they know pretty much how well their business is doing if they know how many pigs they sold that month and at what price.

This culture of “keeping it in your head” at best means that small scale entrepreneurs can miss out on simple opportunities to improve their profitability. More often it means that increasing the size of their businesses becomes more and more difficult to manage.

There are always individual geniuses who can achieve incredible success without having ever kept a single record – but they are very much the exception. For everyone else **record keeping is a key discipline to master in running a business.**

For schools looking to generate income from diversified activities, each involving several people, it becomes even more critical – **without good record keeping these activities will fail.**

Moreover where a school teaches business skills to its students, it has both a moral responsibility to ‘practice what it preaches’, an opportunity to develop a culture of record keeping amongst their students, and a chance to give them first-hand realistic experience of doing so.

BENEFITS OF GOOD RECORD KEEPING

Rural entrepreneurs often find it hard to influence the market price of their products, therefore if an entrepreneur wants to improve their profits, his or her best option is to lower production costs or increase output.

In order to do this, he or she must know what the production costs are, what they include, and their relative importance to total costs. The only way to have adequate knowledge about these costs is by keeping **production records.**

The records should be designed to provide the entrepreneur the key information needed to manage costs. **Keeping an excessively large volume of detailed records wastes time, energy, and money, and is no more helpful than keeping minimal records.**

The exact items of information which are most important will vary depending on the specific business activity. Deciding what records to keep is therefore part of 'art' of good business management.

At a minimum, records should contain the following information:

- Tasks carried out within an activity
- Cost associated with each task
- Value or amount corresponding to the activity overall

For a typical agricultural activity costs can be broken down into the following elements each of which may be associated with a particular task:

1. Labor, expressed in man-hours (MH)
2. Machinery or tool use, expressed in tool-hours (TH)
3. Inputs used, e.g. seed, fertilizer, pesticide, etc., expressed in the relevant units (Kilos, liters etc.)
4. Other, e.g tractor use, expressed in tractor-hours (TrH)

Using the example of applying fertilizer to a field as an activity, the basic records should include the following information:

Cost Element	Unit Cost	Quantity	Total Cost
Labour	\$1	8	\$8
Tool use	\$0.50	8	\$4
Fertilizer	\$12	2	\$24
	Total Activity Cost		\$36

Keeping records, such as the above, is of no value if these records are not used by the school or business. **The real value of record-keeping is in providing you a tool which you can use to make important business decisions,** and which will ultimately affect your profits.

THE ROLE OF RECORD-KEEPING IN DECISION MAKING

Keeping effective records, such as those given in the previous table, makes it simply to understand how the total costs of each element that makes up an activity are derived, and their importance to the cost of the activity overall.

This knowledge allows the entrepreneur to decide whether s/he can lower the unit costs of each component and therefore of the activity overall, or barring that, compare the activity with an alternative method of carrying out the work in question

This decision-making cannot be done without having the background information provided by good record keeping.

PRACTICAL CONSIDERATIONS

To keep good records, it is important to clearly identify the units of measure that will be used.

For example: a dairy usually measures milk production in kilos, whereas the milk is generally sold by the liter. It is therefore necessary to convert the kilos to liters. This situation is also common with fruits and vegetables, which can be sold either by unit or by weight. In some cases there also exist traditional ways of selling products: two live chickens, packages or bunches of vegetables or medicinal plants, etc.

These are simple and practical calculations, but if they are not made with the proper care they can distort the records and lead to poor business decisions.

5. DAILY CONTROLS

In this chapter we'll look at of the benefits of maintaining a daily operations report system, and how you can design and implement one at your school.

The daily operations report allows you to:

- Understand what has been happening within the school's businesses on a given day
- Analyze the performance of individual business units
- Monitor business activity as it develops over the month
- Take effective business decisions in order to improve performance towards the school's income targets

Alongside production information, the daily operations report also contains entries showing income received, checks issued, and purchases on credit. This same information will also be recorded in the accounting books to be used for generating financial statements.

To be effective this information included in the daily operations report should be able to be recorded **easily, quickly and with a minimal margin of error**. The structure used should be designed according to the present needs of the business, but with the flexibility to later be adapted to new possibilities.

The daily operations report is oriented mainly towards the administration, for decision-making in areas of planning and management of the different activities the school carries out to generate income which and which will ultimately allow it to become self-sufficient.

The system used needs to ensure information is gathered, recorded and summarized in such a way that you can evaluate it, interpret it, formulate plans and begin to take action *while the data is still current*.

THE DAILY OPERATIONS REPORT

The daily operations report will be divided into the following main sections:

- Income and the corresponding charges
- Checks issued and purchases on credit
- Inventory

- Balance review section
- Observations
- Section for date and number

To facilitate the daily task of writing reports, these can be grouped in separate notebooks for each month with an original and a tear-out copy for each day.

The original version stays filed in the notebook and the copy is filed in chronological order, along with the documents which support the information recorded in each section.

Each of the sections has space to note down the day’s information and additional space to keep track of the totals for each line to date.

The daily operations report clearly and precisely compiles the transactions a business carries out each day, such as: income received, checks issued, purchases on credit and others.

There is also space to accurately show the debits and credits in each of the sections.

The report will be designed based on the nature of the business’ activities and needs, and can be modified as changes or new operations are incorporated.

A chart of accounts must be used to record the information, which will make it possible to codify the accounts and sub-accounts when necessary.

In the daily report it is used in the sub-accounts of the operational expenses and in the accounts that are grouped in the “various” column.

Below, you can see the daily report of the person responsible for livestock production at Fundación Paraguaya’s agricultural school:

PRODUCTION AND SALES, OCTOBER 2007

Products	Production goal for October 31		Production as of October 25		Difference	
	Production	Dollars	Production	Dollars	Production	Dollars
Livestock subtotal		13,119		10,731		2,388
Raw milk (liters)	4,960	9,920	4,933	9,027	27	892
Suckling pigs	21	3,199	10	1,704	11	1,495

In order to better understand the current production situation, this table representing a daily report on production and sales from the school's livestock division has been created, which compares the actual production and sales with the goals established for the month of October. The table shows that several days before the end of the month, milk production is 27 liters short of the established goal. It can also be observed that there may be problems in reaching the goal for pork production.

Below, you will see the daily report of the person responsible for agricultural production at Fundación Paraguaya's agricultural school:

Products	Production goal for October 31		Production as of October 25		Difference	
	Production	Dollars	Production	Dollars	Production	Dollars
Agriculture subtotal						
Chard (bunches)	200	200	356	184	-156	16
Broccoli (bunches)	80	80	16	14	64	66

Production of chard has surpassed the established goal of 200 bunches, with the production of 356 bunches, however the goals for sales have not been reached. For broccoli, it can be seen that the goal of 80 bunches and Gs. 80,000 will not be reached, given that several days before the end of the month production is at 16 bunches and sales at Gs. 14,544.

Goals and purposes of the implementation of a daily operations report within a business

The fundamental objective of a daily operations report is to provide managerial decision-makers with a fast, simple, updated and precise method of compiling daily activities, which allows them to follow the daily behavior of the available economic resources and at the same time control finances.

The daily operations report is a monitoring tool used by the administration in decision-making; it reveals the symptoms of problematic or weak areas, which makes it possible to decide what actions to take to correct the situation.

Another method for monitoring is to provide the means for communication among the people who make up the organization; this is a way to keep informed of the results of the various activities being carried out.

A good internal communications system combines technology with the organization's communication needs, assisting the management in effectively carrying out its leadership. It also allows staff to have access to the information needed to work efficiently.

Means of communication are excellent tools for enabling human exchange and supporting productive, operational and administration activities.

Investing in a high-quality communications system will generate significant returns in terms of the capacity of the staff team.

Creating an internal communications system provides various benefits, for example:

- It produces communication by which all staff are informed of their responsibilities, as well as practices and procedures.
- It makes it possible to gain feedback and therefore have a clearer perspective of the organization's situation.
- It can be used to effectively diagnose or survey the organization.
- It provides added value to the institution by enhancing staff productivity
- It helps to maintain a satisfactory flow of information.

One example of the implementation of a communication system is the one that was implemented at Fundación Paraguaya's agricultural school, utilizing a walkie-talkie system. The person responsible for each area has a walkie-talkie, which allows for quicker and more effective communication.

The complete record of all of the activities carried out at an institution usually implies a large volume of data.

Traditional systems make it necessary to manage various books and reports to compile a business' financial information, such as special books for recording income, payments, purchases, sales and others. For this reason the daily operations report is recommended as an alternative for small and medium-sized institutions that only have one or two people in the accounting department.

Those making administrative decisions at an institution need timely financial information when planning and monitoring the activities being carried out, as well as for launching new projects and expansions.

With a good system for compiling information, we can evaluate the different areas of an institution such that those responsible are informed about the results of their management and can apply the measures that they consider appropriate in a timely manner. On the other hand, the administration should have a base of support for corrective measures, in order to achieve greater efficiency and effectiveness in the use of the institution's resources

The basic purposes of accounting at a for-profit company are to provide detailed financial information about the profitability or earnings of the operations and the institution's economic solvency; this is the reason for the need to design a report that provides useful data for decision-making. (Finney and Herbert)

Immediate Benefits For Users Of The Information

Immediate benefits are obtained by providing quantitative information, usually financial, as one of the elements in the decision-making processes of various users such as managers, administrators and accountants. This allows the administration to make decisions about creditors, clients, government entities and others.

The daily operations report makes it possible to measure the accounting data's ability to represent, through words and amounts, the state of the institution at different points in time and the results of operations.

This information should allow the user to obtain results and act on the information to achieve his or her particular objectives.

Accounting data should include events that have already occurred and should be entered into the accounts according to generally accepted accounting principles; these should be passed on to the appropriate user in a timely manner so that s/he can make decisions in time and thus achieve his or her goals.

This Information Is Of Vital Importance For:

Management

The institution's management need accounting information to assess the success of its activities.

The daily operations report will provide them with real and timely information about income, costs, expenses, inventory, balances in different bank accounts, balances of accounts payable and accounts receivable. This will allow managers to evaluate the effectiveness of the administration and safeguard the resources under their control.

Administrators

Administrators will use the data contained in the report to assess the results of operations, determine where cash is needed, evaluate the payment of accounts receivable and the inventory available for sale.

A historical comparison of income and expenses can be done, in order to take the steps necessary to improve activity day by day. This report is a great help to administrators as they plan and monitor the institution's activities.

Accountant(s)

The daily report is the most efficient means of providing financial information to the accountant, since it is put together by the people who know firsthand how the institution's transactions turned out and can properly codify each of them. The accountant therefore has more time to use the report in other areas of interest to the institution, such as

overseeing the internal control, analyzing financial statements, financial and administrative consulting and others.

6. UNDERSTANDING THE MARKET

The goal of this chapter is to introduce you to marketing concepts, so that you have a clearer idea of what you can offer the market and the most effective way to do it.

In a globalized world with highly competitive products and services it is necessary to remain aware of the demands and expectations of the market. It is vitally important, when seeking to ensure the success of a business, to make use of marketing techniques including market research, to make studies of the competition, of the distribution channels and of the points of sale and to investigate advertising and pricing strategies.

Often business people are not clear on what they are selling. It usually seems unnecessary to ask “what are we selling?” Obviously all salespeople know what products they are offering to consumers. However, they do not necessarily know what consumers are looking for in their products.

The key is to know the market and its needs. Consumers are the ones who provide the guidelines which allow us to better define what we are going to sell and to whom, as well as where and how we will do it.

THE MARKET

A market is a space, physical or not, in which sellers and buyers of goods and services come together to conduct their purchases and sales transactions – and in the process exchange information which allows both to best meet their needs.

ORIGIN OF THE MARKET

The market goes back to the time when primitive people came to realize that they needed things which they did not produce; this gave rise to barter with other individuals, communities and tribes.

As communities became more complex, so did their needs, supporting the development growth and of yet more markets for goods and services. Society’s very existence of in most parts of the world today has come to be depend on being able to meet its members needs through the market system.

1. THE CONCEPT OF THE MARKET

A market is a place where the forces of supply and demand operate and prompt the exchange of goods and services at an agreed price.

It includes all of the people, households, businesses and institutions that have needs to satisfy.

The existing market is the group in which the product or service is actually consumed. By comparison, the potential market is a group in which the product is not being consumed, but could be in the future.

Markets can be defined or 'segmented' into the different types of customers they are composed of.

Rural entrepreneurs cannot ignore the need to operate within the market, and meet its requirement if they are to succeed.

2. MARKET RESEARCH

What is Market Research?

Market Research offers the information that can link a rural business to its consumers, clients and the public. It is used to:

- Identify and analyze opportunities and problems within a market
- Generate, refine and evaluate marketing techniques
- Improve understanding of the marketing process

Background of market research

The need for market research arises out marketing problem which we cannot solve without better information.

Carrying out market research can be costly, complicated, and always requires the time and efforts of many people.

Market research helps to lower the risk that decision-making carries, as it allows for a better understanding of the background of the problem.

Market research is therefore meant to ensure top management make the best possible decisions, however, it does not guarantee success in all cases; rather it is only a guide for better targeting of business activities and reducing the chances of costly mistakes.

What should we research?

Many objectives can be achieved through market research. These are some of the most important aspects to analyze:

The consumer:

- His or her reasons for consuming
- His or her purchasing habits
- His or her opinions on our product and the competition's product
- His or her approval of price, preferences, etc.

The product

- Research on the uses/applications of the product
- Tests of the product's acceptance
- Comparative tests with the competition's product
- Research on shapes, sizes and packaging

The market

- Research on distribution
- Research on product reach in stores
- Acceptance and opinion on products in distribution channels
- Research on points of sale, etc.

Advertising

- Trials of advertisements and campaigns
- Research before and after a campaign is carried out on consumer attitudes towards a brand
- Research on advertising effectiveness, etc.

3. TYPES OF MARKETS

Given that markets are composed of people, households, companies or institutions that demand products, an institution's marketing activities should be systematically directed at meeting the particular needs of these markets to provide them with greater satisfaction of their specific needs.

The general market is composed of anyone with needs that can be met by what a company sells.

The potential market is composed of all entities in the general market that not only want the product or service, but are in a position to acquire it.

The target market is composed of the segments of the potential market that have been specifically selected as targets of marketing efforts; this is the market that the company wants and chooses to capture.

The existing market is represented by the segments of the target market that have been successfully captured.

3.1 OTHER TYPES OF MARKET

Wholesale markets

These are markets where merchandise is sold wholesale i.e. in large quantities. This market is made up of intermediaries and distributors who buy products in large quantities which they will later sell to other merchants.

Retail markets

These can range from farmer's or street markets to regular high-street or village shops. Businesses in these markets sell in small quantities directly to consumers.

An ever more important format within this market exists is the supermarket, a sector often dominated by large chains with significant power in the market.

These use a self-service model, in which the consumer chooses directly which items he or she will buy, thus eliminating the dependent employee and the small-scale merchant who personally sells his or her items.

4. MARKETING STRATEGIES IN A BROAD PRODUCT MARKET

Below you will find several methods for segmenting the market:

1. The single target market method consists of dividing the market into segments and choosing one of the homogenous segments as the company's target market.
2. The multiple target market method consists of dividing the market into segments and choosing two or more segments, each of which will be treated as a separate target market which needs a different marketing strategy.
3. The combined target market method consists of combining two or more sub-markets into a larger target market on which to base a marketing strategy.

5. MARKET CHARACTERISTICS

The market is composed of sellers and buyers who generate supply and demand, thus creating an opportunity for the exchange of goods and services.

The price of goods and services tends towards an equilibrium point which is reached when supply equals demand.

The Situation Of The Market

We must be able to find opportunities for new businesses and not assume that everything will always stay the same.

For example, musical records have been successively replaced by cassette tapes, CDs, and now MP3 digital formats.. Although there are many creative ways of describing opportunities, there are four formal ways of identifying new business opportunities:

- Market penetration
- Market development
- Product development
- Diversification

What Are Market Penetration And Market Development?

Market penetration means attempting to lure clients away from the competition by means of better advertising, better distribution, price reductions or new packaging for example.

Market development tries to capture new clients without modifying the product; for example, when supermarkets and restaurants open branches in new areas where there previously has been none.

What Is Product Development?

A common point of departure for product development is identifying a 'gap in the market' or need that is not currently being well met. An alternative is to take an existing product and look at how making changes to it might create increased demand.

In either case, to this is added research into the needs of the market, aspects of operational planning and product design, which are closely monitored by the management of the company or school. Development generally consists of the following steps:

Step 1, Research: Analysis of the market and competitor's tactics; it is important to make preliminary calculations of the product's cost at this point.

Step 2, Product concept development: Creation of a preliminary product, with a corresponding preliminary design, considering the product specifications.

Step 3, Production process development: The design is now finalized, specifications are created for each of the components and a preliminary production plan is created.

Step 4, Finalization of design and production process: The first products are made on the production line, their quality is thoroughly examined, and workers are trained in production. Additionally, marketing and sales teams are organized.

Step 5, Regular production: Production goals are set and manufacturing begins.

What Is Diversification?

Diversification involves a company either increasing its product range, or targeting new markets – i.e. diversification can be effectively divided into two categories: industry or product diversification and geographic or market diversification.

Alongside creating new business opportunities, it reduces the risks associated with maintaining a limited range of products, or targeting a limited range of markets. This said, attempting to increase your product range or enter new markets can bring with it all sorts of new risks.

MARKETING AND THE MARKET

Marketing is concerned with meeting clients needs and desires, and this should serve as a guide for what is produced and offered.

What Is Marketing?

The word marketing originates from the word market, which represents a group of buyers and sellers who wish to exchange goods and/or services for something of value.

Meeting your clients needs and desires means understanding what motivates them to make a purchase. Once you have this understanding you can then present your product to them in a way that makes them want to buy it – and at its simplest level that’s what marketing is!

It’s about making sure they know your product exists, that it’s a product they need, that it delivers value for money. where they can buy it

*For a more information on marketing, how it can support your school to increase its income, and how to put together a Sales & Marketing Strategy see **Manual 8 – Creating Your Business Plan***

7. ADDING VALUE & MAXIMIZING PROFITS

The objective of this chapter is to provide you with some effective strategies for increasing the income generated by your school business.

When you have finished reading this chapter you will know:

4. How 'adding value' can be used to improve school business income
5. How 'cutting out the middleman' and introducing 'economies of scale' can increase profits
6. How developing new products and targeting niche markets can offer attractive income generating opportunities

Earlier in this manual we made the point that if making money was easy, we'd all be rich.

It isn't, it's hard. That's part of the reason why poverty is so prevalent in the world. It's also the reason why there's such a need for financially Self-Sufficient Schools.

Making money might be hard, but at least if your teacher knows how to do it, there's a much better chance they might be able to teach you how to do it too!

Teachers at a Self-Sufficient School have a credibility which teachers at regular schools don't have. Their students know that they not only have the knowledge to help them pass exams – but the knowledge and experience needed to teach them how to make money.

Back in Chapter 2 we looked at the basic principles of generating income in schools, focusing mostly on the types of businesses that a school would find easy to establish.

In this chapter we're going to focus on making the businesses that the school sets up as profitable as possible by look at adding and capturing value with our products.

ADDING VALUE

WHY BOTHER ABOUT ADDING VALUE?

In today's economy, characterized by globalization and stiff competition, it is very difficult for rural entrepreneurs who focus only on producing basic goods to earn an income that allows them a decent standard of living.

If it's hard for an individual entrepreneur to make money in this way, *it can be even harder for a school to do so*. This is because the educational requirements of using a school businesses for learning activities will often reduce their efficiency.

Basic goods, e.g. staple food crops such as wheat, rice, maize or cassava, normally sell at a relatively low price, and with a relatively low profit margin. This means, for example, that if you want to get rich as a wheat farmer you need to produce a huge volume of wheat very efficiently.

But if you're a school starting off with only a modest amount of land you're never going to be able to produce in these huge volumes. And if you can't compete on the same terms as your rivals, you will fail.

The good news is that when they leave school, the students that you're teaching aren't likely to be able to produce in such huge volumes either - so you'll actually be doing them a favor if you can teach them something they do have a chance of taking up when they leave school.

As the chapter on basic principles suggests, one option to get round this problem is to produce higher margin products. With higher margins you can produce smaller quantities for sale and still make a reasonable profit – for example, the profit from one acre of tomato plants will be many times more than for one acre of maize.

This is one strategy for increasing the income your school can generate, and it is certainly worth pursuing. When your students graduate and return to their families' two acre farms, they will live much better if they know how to plant one acre with tomatoes and how to successfully market this crop.

Nonetheless, it will take a very large number of acres of tomato plants to pay for all the costs of running your school! Unless the margins are very good indeed, sticking to higher margin products alone is probably not a good enough solution.

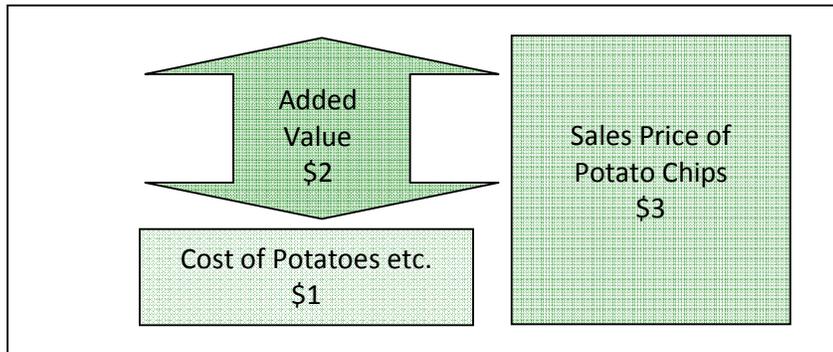
If you're serious about running a school which is 100% financially sustainable without relying on fees or outside support you need to consider adding value

WHAT IS ADDED VALUE?

Added value is the extra value which is imparted to the product at each stage of the production & development process, and which is ultimately reflected in the sales price.

That sounds a little complicated, but it's actually quite easy to understand with a real-life example.

Imagine you take some basic product, say a few potatoes, and turn them into another product, say some potato chips - *then the difference between the sales price of the potato chips and the cost of the potatoes (along with other ingredients) is the added value.*



In the above example added value is the result of *processing* which one of the most obvious ways of creating a new product, but not the only one. Other ways of adding value, however, typically focus more on creating the perception that the product is new, through the use of marketing strategies such as improved packaging and 'branding'.

For small rural businesses including those run by schools, adding value to their basic products can be a highly effective strategy for increasing income. There are many ways of adding value to the school's products and to the school itself.

Various types of value-added foodstuffs can be made from agricultural products, from those requiring simple preparation - such as drying, preserving or cooking; to others needing more industrial processing – such as cheese-making or canned vegetables; to hand-crafted items requiring skilled employees – such as decorated cakes.

Prepared foods are a simple and very profitable example of added value. **Something as simple as a sandwich should sell for at least 4 times what its ingredients costs by themselves.**

It's worth remembering that in the context of a school, when value is added to a product, we not only are generating more income but also sending a powerful message to our students about how they can make money for themselves too – as well as providing them the knowledge and training that will allow them to put this into practice!

HOW TO ADD VALUE

How many times have we heard that the solution to the problems or the road to ensuring the success of small and medium-sized businesses, regardless of the sector in which they operate, is to add value to the products and services offered to the client?

What is not mentioned, however, is that adding value normally requires:

- Investment
- Innovation

Adding value is not doing what is already being done and trying to charge a little more for the same thing.

Nor is it about trying to improve the quality of an existing product or service to better serve regular clients.

Much less is it about increasing distribution or promotion of the company, product or service.



To truly say that value is being added, there must be a positive transformation of either the product, the quality of the product or service, or the perception of the product / service being offered.

A company that hopes to differentiate itself by adding value to its products or services must first and foremost understand the market for its 'new' product / service - and above all what characteristics for this products or services are the most important for the client at the moment of deciding whether to make a purchase.

In order to acquire this knowledge about buyers it is fundamental to be very familiar with clients and potential customers; their habits and their values. This makes it difficult to add value if we do not interact frequently with clients, any pay attention to what they reveal about their true needs, desires and anxieties. **Only by truly knowing what the customer wants is it possible to create a product which they will pay more for – the ultimate goal of adding value.**

As a starting point **it is vital to know *who* the client is.** The sheer number of possible markets and market segments make it impossible to satisfy the needs of everyone possible customer. For this reason, you need to know what segment/s of the market you can best serve, and target them closely.

There is some wisdom in the saying, “don’t bite off more than you can chew.” If you spread yourself too thinly by trying to serve more segments of the market than you are really capable of you will fail; **it is better to serve just one segment where you believe you will be able to consistently outperform your competition.**

A common mistake is to do what *you* consider best, without consulting the market and what your customers want. This is unlikely to be successful - *and very likely to lose your school money!*

INNOVATION

Innovation does not necessarily depend on advanced, expensive or complicated technology. The most important thing is always that the client recognizes this innovation as added value – and is prepared to pay for it!

Ways in which you may be able to add value to the products of your school include the following:

Organic production:

There is a growing demand for organic products, which generally have a higher market price than conventionally grown products.

At an agricultural school there are also other important reasons for considering organic production: caring for the environment and minimal dependence on external resources, which in turn contributes to the school's self-sufficiency and offers an interesting tool for learning.

Combined restaurant & retail shop:

Since the '90s supermarkets have offered "new products" in the form of prepared foods, both to sit and eat in food-court areas or to take home.

This is a very interesting example for an agricultural school that generally produces unprocessed raw material and could learn about the market and apply creativity to obtain greater income for its products.

These large businesses have two competitive advantages that they have learned to take advantage of: they have the raw material to make food for a lower price than someone with a small or medium-sized business would purchase at and they have a market: a guaranteed flow of people coming to their shop.

Putting these advantages together, they offer the public high-quality prepared food to eat on the spot or to take away, at a good price.

Additionally, clients that go there to eat often end up buying something as well, and likewise those who go to shop may find it convenient to pick up something prepared or to eat there. In either case a drink may also be added to the sale.

Your school might not be able to do this on the same scale as the supermarkets, but the same principle can be successfully applied.

We believe that having its own retail outlet is something most schools should aspire to (for reasons outlined in the next section).



Where schools can achieve this ambition, **combining a regular store with a restaurant/café/eaterie selling prepared foods made from school products, a simple value-added activity, should be a natural next step.**

MAXIMIZING PROFITS

STRATEGIES FOR MAXIMISING INCOME GENERATION

Entrepreneurship is about seeing the opportunities that exist to make money, and employing all your skills and resources to exploit them.

A school that wants to generate income has two choices:

- i) to produce standard goods better than everyone else
- ii) to serve unmet or under-met needs with new products and services.

Within each choice there will be several tried-and-tested strategies for maximizing income generation which build on the basic economics of business outlined in Chapter 2.

New Products & Unmet / Under-Met Needs

When competition is high, as is often the case with standard agricultural products, profit margins are likely to be low. Unless you can be a better producer than your competitors – with higher yields and lower costs – it may be difficult to generate useful income for your school from these products.

When competition is low, as with new products, profit margins are likely to be much higher.

A new product does not have to be entirely new - in fact it is probably better if it's not! - but rather one that is not widely available locally.

Any successful new product should fulfill an unmet or under-met need. Unless this is the case, demand will be weak, and the product will not generate much income – hence the importance of proper market research.

The Value Chain: Capturing vs. Adding Value

There are a lot of stages involved before a product is sold to the final customer. Where each stage is undertaken by someone new, they too will have to make a profit on their part of the chain.

A simple example might be a tomato farmer, who sells to a stall-holder, who sells to the public. The farmer and the stall-holder each have to make a profit for it to be worth their while. If the farmer could sell directly to the public without incurring too many additional costs, he might be able to 'capture' more of the value of his product, and therefore generate more income this way.

Capturing value in this way is a distinct business strategy from adding value - which we have already covered at some length. It is about 'how' you sell vs. 'what' you sell. Compare the above example with a tomato farmer who chose to sun-dry his tomatoes, thereby turning them into a new product would be *adding value* to them. 'What' is being sold has changed in this case.

As ever, your choices will depend heavily on the local operating environment. **However, in most cases schools will find it a useful strategy to try and capture more of the value of their produce by selling it through a school-run outlet.**

Obviously, combining both approach and selling 'value added' products as directly as possible to the final customer offers the best of both worlds.

Economies of Scale & the Division of Labor

Normally the more you can produce of one product the lower your costs will be. This is known as *economies of scale*.

There are very good reasons for a school to sell many products - principally so that students can learn as wide a variety of skills as possible.

However, **where a school has a particular advantage in a certain activity, it may find it can generate much more income by focusing on this particular product, and producing it on a much larger scale.**

Another option for lowering production costs is to use the people you have as efficiently as possible.

An example might be constructing a beehive, where we assume there are three steps involved are cutting the wood, nailing the pieces together, & painting the finished hive. If we have three workers, each worker could do all three steps themselves.



However if each worker focused on just one step of the process, it is likely they could produce more hives in a day – increasing production, lowering the per hive cost, increasing the profit margin, increasing the income generated!

This is known as the *division of labor*. The difference it can make is particularly noticeable the more steps there are in production.

In Summary: *By increasing the scale of production and having workers specialize on a small number of steps in the production process, schools can take important steps towards maximizing the profits they generate.*

8. HOW TO PREPARE A BUSINESS PLAN

The objective of this chapter is to provide you an overview³ of how to prepare a business plan for a business unit or ‘company’ within your Self-Sufficient School.

When you have finished reading this chapter you will know:

1. What the purpose of a business plan is for a school ‘company’
2. How to structure such a business plan
3. What areas should be covered within the business plan for a school ‘company’

Creating a business plan is a necessary requirement for the creation or development of a business.

The business plan is the “navigation chart” which orients the company’s decision-making, and is presented to financial institutions and other entities or people that could support the enterprise.

Here are some questions that should be properly clarified in the business plan:

- What is the business?
- What product or service is being offered?
- What profile should the company’s staff have?
- What characterizes potential clients?
- Who are your competitors?
- Who will your suppliers be and under what conditions will you negotiate with them?
- How will your product or service differ from that of the competition?
- How will you price your product or service?
- What distribution and marketing strategies will you apply?

³ **Manual 8 – How to Prepare a Business Plan** goes into greater detail on this topic, examining it from the perspective of the Self-Sufficient School as a whole

- How much does it cost to produce the good or service?
- How much financial support does it require and what sources will you go to to obtain that support?
- What will the sales conditions be?
- How much time do you expect it to take to recover the investment?
- What projections do you have for the company in the short, medium and long term?

WHAT IS A BUSINESS PLAN?

A business plan is a document that sets out the overall purpose of a business, including topics such as the business model, the organization chart, the source of initial investments, the staff that will be necessary and the method of selection, the company philosophy and the exit plan.

A business plan is usually considered to be a living document in the sense that it should be updated continuously to reflect unforeseen changes.

A reasonable business plan, which explains the company's expectations of success, is fundamental to obtaining financing and capital partners.

The main value of the business plan will be the creation of a written document which evaluates all aspects of the economic feasibility of your commercial enterprise, with a description and analysis of your business perspectives.

Just as this chapter is sub-divided into the twelve most important aspects to consider when starting a business, your business plan can follow the same format. In this section and in each of the following an outline of a business plan is included that covers each topic. When they are put together, you will have a starting model for your overall plan.

Business plans can vary considerably. Libraries and bookstores have books dedicated to business plan formats. However, this chapter is a place to start. You can use it as a basis for designing a plan that is ideal for your business.

WHY MAKE A BUSINESS PLAN?

Your business plan will be useful in various ways. Here are several reasons why you should not pass up this valuable tool:

- First, you will define and focus your goal by making use of relevant information and analysis.

- You can use it as a sales tool when entering into important relationships, including with creditors and investors.
- You can use the plan to ask for opinions and advice, including from people who are in the commercial area that interests you, who will offer invaluable advice. Too often, business owners structure things “my way” without taking advantage of expert advice, which could save them significant expense. “My way” is a great idea, but in practice it can cause unnecessary complications.
- A business plan may reveal omissions or weaknesses in your planning process.

5 TIPS FOR WRITING YOUR BUSINESS PLAN

1. Limit your long-term projections for the future (long-term being more than one year.) It is better to establish short-term objectives and modify the plan as the business progresses. Often long-term planning becomes irrelevant to the reality of the business, which may be different from the initial idea.
2. Avoid exaggerated optimism. Be extremely conservative when predicting requirements for capital, time frames, sales and profits. Few business plans correctly anticipate how much money and time will be required.
3. Don’t forget to decide what your strategy will be in the case of commercial adversity.
4. Use simple language to explain problems. Put the plan together in a way that is easy to read and understand.
5. Don’t depend completely on the exclusivity of your business or on a patent invention. Success comes to those who begin a business during a great economy, with great economy - and not necessarily with great inventions.

Sample business plan for a laying hen operation (egg production):

Executive Summary	
Product	High-quality fresh eggs
Market	Retail establishments, growing demand, unserved market
Competition	Other national distributors and local producers. For example, total production by small local producers plus local sales of large distributors.
Competitive advantage	Quality and freshness of the product
Marketing and distribution	Sales directly to the establishments; direct delivery
Investment required	An investment of US\$6,750 is necessary to

	<p>construct a henhouse and buy 500 chicks, assuming that construction costs US\$50 per square meter, and each chick costs US\$1. Equipping the house with feeding boxes, drinking troughs and nesting boxes will cost US\$250. Therefore the necessary investment for a facility with 500 birds is US\$7,000.</p>
<p>Staff</p>	<p>A director of production and a part-time assistant are necessary. They will not work exclusively with the henhouse. External assistance will provided by a veterinarian.</p>

1. PRODUCT

The plan is to produce high-quality eggs, which will arrive fresh at the market, to sell to retail establishments.

A lesser portion of the production will be used in the school.

2. MARKET

Potential clients are the retail establishments located near the school, and people from the area who will make direct purchases.

Sale to establishments whose clientèle has greater purchasing power will be the priority.

3. COMPETITION

There are usually large egg producers who operate on a national level, as well as small producers who serve regional markets.

4. COMPETITIVE ADVANTAGE

The quality and freshness of the eggs produced will make them successful, in comparison to those produced by the main brands. This is an additional value the product has which the market is sure to appreciate.

Additionally, once the institution and the product are known in the area, they will have the added value of social responsibility on the part of the consumers.

5. MARKETING AND DISTRIBUTION

The product will be marketed in retail businesses in the area and neighboring communities, taking into account that a small-scale business aims to have a minimum of 15 to 20 “permanent” or semi-permanent clients.

A visiting campaign to potential clients to offer the product should be organized. In each case it is important to know where they are currently acquiring the product. This is also an opportunity to learn about the client’s level of satisfaction in relation to their supplier.

6. INVESTMENT REQUIRED

US\$7,000 will be invested to construct a 5 x 25 meter henhouse and equip it with feeding boxes, drinking troughs and nesting boxes, and to acquire 500 chicks.

The henhouse in this case will be have a simple, rustic design, but be very well-constructed.

7. STAFF

The director of the school can be in charge of marketing to begin with. All of the staff working at the henhouse should be included in the school’s organization chart.

The production director is responsible for everything produced in the school. They will have the support of a production assistant who helps with specific tasks around the farm.

External assistance from a veterinarian will be used when consultations are necessary.

8. PROJECTED INCOME

With this flock we can estimate a daily production level of 350 to 400 eggs. If we assume that each egg costs US\$0.10, yearly income will be US\$13,500.

9. LEGAL ASPECTS

As in any new enterprise, it is necessary to ensure that the henhouse complies with all environmental requirements and local law. Additionally, it needs to have all of the relevant authorizations issued by the corresponding authorities. As well as complying with current law, this ensures that no complaints will be made by neighbors about the school’s facilities.

Below we suggest an outline which you can use as a guide to create a business plan for your school:

SUGGESTED OUTLINE FOR BUSINESS PLAN

FRONT COVER

On the cover should appear:

- the name of the business
- the names of the owners or main partners
- the business' phone number

DECLARATION OF PURPOSE

The purpose of the company is laid out here. The rest of the plan will be devoted to elaborating on and explaining the declaration of purpose.

TABLE OF CONTENTS

I. THE BUSINESS

- A. Description of the business
- B. Market
- C. Competition
- D. Location of the business
- E. Management
- F. Staff
- G. Loan application and expected results
- H. Summary

II. FINANCIAL DATA

This data should be prepared and verified by an accountant or administrative professional.

- A. Sources and application for financing
- B. List of essential equipment
- C. General balance
- D. Analysis of break-even point

E. Income projection (profit and loss statement)

1. Quarterly summary
2. Monthly detail for the first year
3. Quarterly detail for the second and third years
4. Explanatory notes

F. Projected cash flow

1. Monthly detail for the first year
2. Quarterly detail for the second and third years
3. Explanatory notes

G. Analysis of budget variance

H. History of the financial reports of the business while in operation

III. SUPPORTING DOCUMENTS:

Resumes, job descriptions, personal financial statements, credit reports, letters of reference, letters of intention, copies of rental agreements, contracts, legal documents and any other element relevant to the plan.

To read fuller account of what should be included in each section please turn to Appendix II

Note: For a section by section guide on how to write a business plan that covers your Self-Sufficient School see Manual 9 – How To Write A Business Plan.

SELF-EVALUATION

Make a list of the possible businesses that your institution could run:

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Do you keep a record of the productive activities carried out at the school? If so, how does it compare with the approach suggested in this manual?

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Fill out the following form according to the activities carried out. Note down the activity in the blank space, and the corresponding list of supplies, labor and machinery that will be used for this activity, including the cost of each calculated in hours (time).

Activity monitoring sheet				
Activity		Time	Cost	

	Supplies				
	Labor				
	Machinery				

Use the following chart to record the school’s production; make the changes you think necessary for it to be useful to you.

Products	Production goal for		Production as of		Difference	
	Production	Dollars	Production	Dollars	Production	Dollars

Analyzing the market: Who are the possible clients who could be reached with the school’s production?

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What does developing a product entail?

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Complete the following business plan chart and you will create an outline that will help you in creating a final business plan.

SUMMARY	
Product	
Market	
Competition	
Competitive advantage	
Marketing and distribution	
Investment required	
Staff	

APPENDIX I

ADDITIONAL EXAMPLES OF SUPPORTING EDUCATION THROUGH INCOME GENERATION

Teach a Man To Fish organized a project contest for schools interested in beginning to generate their own income.

What each of these demonstrates is that with a little creativity you can implement income-generation initiatives on a small scale, even if you don't have the funds to start a Self-Sufficient School straight away.

Several of these projects from various parts of the world are briefly described below. If you are interested in learning more about these projects, you can refer to:

<http://www.teachamantofish.org.uk/projects.php>

NIGERIA - AKWAFOM SUSTAINABLE COMMUNITY ASSOCIATION (ASCA)

Based in southern Nigeria, a combined crop/fruit/vegetable/livestock project is being established, involving a diverse range of production methods ranging from snail cultivation to pineapple growing. Students are involved in all stages and sell the products in local village markets to support the Ikpe Udok Rural Education scheme.

UGANDA - VODA UGANDA

Youth from local poor families have been selected to undergo a short pig rearing course and are supported to construct a sty on their household land.

A piglet is loaned to each student who establishes a cassava garden to help feed the pig. As the pigs grow they produce valuable manure used to fertilise household land. When the pigs reproduce each student gets two piglets back which are then distributed to two other students. Remaining piglets can then be sold to pay for school fees or kept at the household piggery. Students sell their mature Pigs to local 'Pork Joints' for a handsome profit.

KENYA - LWANDI DUDI SECONDARY SCHOOL, IN PARTNERSHIP WITH ECO-FINDERS YOUTH MOVEMENT

This integrated project in Western Kenya involves the establishment of a poultry unit which aside from producing eggs also provides fertilizer for horticultural plots and a fruit tree nursery.

Eggs, vegetables and tree seedlings are sold through a 'Green Food Kiosk' at the local market and profits reinvested into the school. On top of this, awareness of the project is being spread through drama, videos and 'eco-information' talks given by the students.

SUDAN - MOTHER LAND PROGRESSIVE SECONDARY SCHOOL, IN BY MRDA

A vegetable garden is being set up at this secondary school which receives no government funding. 12 groups of 20 students will use innovative crop mixing and irrigation technologies to ensure regular harvests throughout the year. With students selling their products at local town markets and restaurants, the schools wavering budget is bolstered, ensuring that its doors are kept open into the future.

GHANA - FAIR RIVER INTERNATIONAL ASSOCIATION FOR DEVELOPMENT (FARIAD)

Students from three different secondary schools in Ghana will be trained and involved in setting up a large Snail Farming project. Snails will be sold to local restaurants and hotels, with students taking the lead with marketing and advertising. Profits will be ploughed back into the schools themselves and used to expand the Snail Farm in the future.

ARMENIA - DEVELOPMENT PRINCIPLES

This rural Youth Club in Armenia is establishing a one million strong worm farm in an abandoned cattle shed to produce premium quality compost for sale to local farmers. This form of organic fertilizer is much cheaper than its in-organic competitors, giving it a healthy market, cutting down costs for farmers and benefiting the environment. The healthy profits from the project are used to support the Youth Club, allowing it to reach more and more young people.

THE PHILIPPINES - PINE TREE

Six groups of students who cannot afford to pay college fees are selected from the local area to take courses in Horticulture, Nursery Establishment and Soil and Water management. During and after completion of the courses they work with local farmers in a process of knowledge exchange.

Products are marketed by the students in a Community Support scheme whereby community families order all their vegetable and spice needs from the project. Profits are reinvested in the educational scheme, allowing it to support more and more students each year.

NEPAL - NEPAL POLYTECHNIC

Youth from farming backgrounds, high school dropouts and ethnic minorities are being trained in this vocational floriculture project. A shade house is being constructed along with nursery equipment, to teach students cut flower production, flower arrangement and nursery management techniques.

Flowers are marketed by students in the commercial hubs of Kathmandu and Pokhara and the profits reinvested to the project, whilst job placements are arranged with local nurseries, parks and hotels.

APPENDIX II

THE BUSINESS PLAN IN MORE DETAIL:

I. THE BUSINESS

This is the most important and difficult part of your business plan. The goal for this section is to clearly define:

5. What is or what will be your business?
6. What market do you propose to serve; what is the size and fraction of the market that you hope to cover?
7. Why will your company serve the market better than the competition?
8. Why have you chosen this particular location?
9. What management and staff are available and what is necessary to run the business?
10. Why will a loan or someone's investment in shares (if relevant) make the business more profitable?

A. BUSINESS DESCRIPTION

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.

The description of the business includes:

1. The type of business: is the business mainly one of commerce, production or services?
2. The state of the business: is the business new, or is it an expansion or acquisition of a functioning business?
3. The model of the business: single-owner, partnership or cooperative? Advice from a lawyer on this point can be very useful.
4. Why will your business be profitable?
5. When will you open (or did you open) the business?
6. What hours and days is it or will it be open?
7. If the business is seasonal or if the hours need to be adjusted seasonally, be sure this is reflected in the responses to points 5 and 6.

B. THE MARKET

In order to generate a constant and increasing flow of sales, you must be an expert on your market—the people who will buy your services, products or merchandise.

Basic marketing considerations are:

1. What is your market?
1. What is the actual size of the market currently?
1. What percentage of the market will you reach?
1. What is the market's potential for growth?
1. As the market grows, will your participation increase or decrease?
1. How are you going to satisfy your market's needs?
1. How will you set a price for your service, product or merchandise that generates a reasonable profit and is also competitive?

C. COMPETITION

If you've decided on your target market, and it is big enough to be profitable and has reasonable possibilities of expansion, the next step will be to make inquiries about the competition, both direct competition (similar operations) and indirect competition.

Consider asking yourself these questions:

1. Who are the five closest competitors?
1. What will you do so that your operation is better than that of the competition?
1. How is the competition's business doing—is it stable, growing or declining? Why?
1. In what sense is the competition's operation similar to or different from yours?
1. What are their strong and weak points?
2. What have you learned from observing how their customers do business?

D. LOCATION OF THE BUSINESS

Finding the best location for a business can help it make money.

If you're going to open a business, first try to find the ideal location. Then see how close you can get to it, remembering that rent is the combination of space and publicity.

In this section of your business plan you should answer the following questions:

1. What is the address of your company?
1. What are the physical characteristics of the building?
1. Is the building rented or owned? Indicate the terms.
1. If it needs renovation, what does it need? What is the expected cost? Get estimates in writing from several contractors. Include the estimates as supporting documents.
1. What is the neighborhood like? Does existing zoning allow your type of business?
1. What type of businesses are in the area?
2. Have you considered locating in another area? Why this is this the best place for locating your business?
3. Why is this building the right place for the business?
4. How does the location affect the operating costs of the business?

E. MANAGEMENT

In preparing the section on management there are five areas to consider:

1. The personal background of the main partners or owners
1. Their relevant work experience
1. Their duties and responsibilities

1. Their salaries
1. Resources available for the business

F. EMPLOYEES

What sustains a business or causes it to fail is the capacity of its staff. Several good employees can make a poor business functional.

There are several questions here that you can focus on to determine your needs in terms of hiring employees.

1. What are your current and future staff needs? What will your needs be in five years?
1. What abilities do staff need to possess? Do the type of staff that you need exist?
 1. Are they to be permanent or temporary?
 1. Are they going to be paid a yearly salary or an hourly wage?
 1. Will they receive any additional benefits?
 1. Will they be required to work overtime hours?
 1. Do you need to train the staff?
2. If so, what is the cost for the business (both in time spent by experienced workers and in money)?

G. LOAN APPLICATION AND EXPECTED RESULTS

This section is important both if you are looking for a loan and if you intend to finance the business yourself to determine how much money you will need and for what purposes. Don't make estimates when exact prices or budgets are available. If you need to make a calculation, specify how you arrived at the final figures.

To do this it may help to make a list with three columns:

The indispensable: you must have this item	The reasonable: you could expect to have this item	The optimal: you would like this item if money were no object
--	--	---

For example:

Second-hand desk: \$7.00
Refurbished desk: \$25.00
Custom-designed teak desk: \$750.000

Begin by filling in the “indispensable” and “reasonable” columns, then make a reasoned choice. It may be important for you to have one or two luxury items, but watch the cost.

This tabular worksheet is especially useful in the case of new businesses and can always be used when considering buying additional equipment.

Be sure that this section answers the following questions:

1. How will the loan or investment be used? The response can be fairly general, e.g. working capital, new equipment, inventory, supplies.
1. What article or articles need to be acquired?
1. Who is the supplier?
1. What is the price?
1. What is the specific name of the model and the quantity to be acquired?
1. How much have you paid or will you pay in sales tax, installation costs or transportation costs?

H. SUMMARY

The purpose of this section is to summarize the ideas developed in the earlier sections. This summary will help you to ensure that the various parts of the analysis make sense, that they support each other well in a logical and coherent manner, and that the reader will be left with a concise and convincing impression that both the concept and the plan are feasible.

II. FINANCIAL DATA

A. FUNDING SOURCES AND DESTINATIONS

This sub-section should be included when the business plan also serves as a FINANCIAL PROPOSAL. This is a new formulation of the information in section “G. Application and expected results of the loan or investment.” The larger anticipated expenses should be supported with copies of contracts, rentals, purchases, or both, or similar documents, and should be included in the APPENDIX.

B. LIST OF ESSENTIAL EQUIPMENT

Your business plan should contain a “list of essential equipment” to help you maintain control over depreciable assets, to guard against the possibility of allowing the reserves for upkeep of essential equipment to get too low, and to help you prepare a cost budget.

Essential capital items are the material that is used to make a product, provide a service or for sale, storage or distribution of merchandise. It is not material to be sold in the normal course of business, but rather material or equipment to be used and consumed doing business (it does not include articles that are expected to be replaced annually or more frequently).

C. GENERAL BALANCE

The general balance or statement of condition shows the assets, liabilities and net worth of a company at a given moment.

The general balance for any company—small or large—includes the same categories. The difference is in the detail.

D. ANALYSIS OF THE BREAK-EVEN POINT

The analysis of the break-even point provides you with a sales goal expressed in number of monetary units or number of units of production in which income and expenses are equal, that is to say, the point at which you have neither profit nor loss.

If you know what the break-even point is, you have an objective that you can plan to reach in carefully calculated stages. Many businesses have self-destructed by ignoring the necessity of carrying out this analysis.

It is essential to remember that an increase in sales does not necessarily mean increase in earnings.

E. PROJECTED INCOME STATEMENT

Income statements, also called also called profit and loss statements, complement the general balance.

The balance provides a snapshot of the company at a given moment. Income statements which are designed for the future are called income projections.

These are ways of predicting and budgeting to calculate income and anticipate expenses in the short and medium-term future. For the majority of small businesses, projections that cover the first three years are sufficient.

F. PROJECTED CASH FLOW

Cash flow is the most important planning instrument for a new or growing business. Businesses need cash to start and to grow. The cash flow analysis:

1. Shows how much cash will be necessary
1. When it will be needed
1. Where it will come from

G. ANALYSIS OF BUDGET VARIANCE

For the majority of small businesses, the projected cash flow provides a budget for the operation. You may want to break down some expense items (payments) in more detail to guarantee greater control, but the cash flow is a basic framework for your budget.

The analysis of budget variance is a way of directly monitoring your business. It can help you to minimize costs and increase benefits, all at the cost of one night's work a month. The analysis of budget variance is an essential part of your planning efforts for the business and should not be ignored even when things are going well.

H. HISTORY OF FINANCIAL STATEMENTS

An integral part of your business plan is the record of what has occurred in the recent past. For the majority of businesses the general balances sheets and income statements from the past three years are sufficient, although it may be necessary to go back to earlier years when trying to obtain capital for a risky activity.

The third important component of your past financial situation is tax statements. Since this statement must be completed at least once a year, it provides a summary of what was spent, how it was spent, and what the deductible expenses were. If you decide to sell the business, these tax statements will be the first document you will be asked for to explain the price you are asking.

I. SUMMARY

The true test of managerial capability consists of budgeting, balancing ambition with reality, and then steering the business to the achievement of its goals within budgetary limitations.

Except for the history of financial statements, which reflect past managerial decisions, the financial information section emphasizes the importance of making careful assumptions about the business' goals. Conservative estimates should be your first step in the preparation of financial documents. These documents, especially the income and cash flow projections, will provide you with the basis for your planning.

These documents establish a systematic series of goals to achieve - of which the most crucial is to know how much time it will take to reach the break-even point., By analysing your budget variance you will establish your main monitoring system. This system will act as an early warning network when used regularly and will suggest remedies for operational weaknesses.

III. FINANCING PROPOSAL

The purpose of this section is to help you form a financing proposal adapted to the needs of your business and the particular set of limitations of the business and capital.

IV. SUPPORTING DOCUMENTS

You will want to include all of the documents that support what is expressed in the body of the business plan. The documents which should be included vary according to the needs and level of development of your particular business. The following list is a suggestion of some of the things which could be included.

1. Resumes; these are very important
1. Credit information
1. Cost estimates
1. Letters of intent from prospective clients
1. Letters of support from reputable people who know you
1. Rental fees or agreements to buy or sell
1. Legal documents related to the business.
1. Demographic census data