

Business Plan Workbook

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Introduction to the Nova Scotia Co-operative Council

The Nova Scotia Co-operative Council has represented some 400 co-operative and credit union businesses in Nova Scotia since its inception in 1956, when co-operatives and credit unions came together under the leadership of Father Moses Coady, to encourage and support community-owned enterprise.

The Council is governed by a volunteer board of directors who represent co-operative and credit union businesses from Sydney to Yarmouth. It is the membership of the Council that approves the strategic and business direction at the annual general meeting each year.

The Council's five priority areas are:

- 1) Bringing all types of co-operatives together to form a strong and vibrant co-operative movement in Nova Scotia
- 2) Encouraging the development of a 'co-operative identity' with the public of Nova Scotia
- 3) Acting as an advocate for co-operatives with the municipal, provincial, and federal governments
- 4) Encouraging, supporting, and promoting the development of co-operative enterprises
- 5) Positioning the Council as a financially sound and self-sufficient organization

The Council currently has offices in Sydney (902-564-8821), Yarmouth (902-638-3260), and Truro (902-893-8966).

In addition to co-operative partners, the Council enjoys a positive and fruitful relationship with the Province of Nova Scotia, particularly the Office of Economic Development, the Department of Community Services, and InNovaCorp.

The Council has put a tremendous amount of time and resources into developing a series of co-operative publications, which we hope offer current and reliable information on important co-operative issues.

Co-operatives are an integral part of the province's economic growth and diversification. Mature, stable, and sustainable businesses, yet also moving into new and growing areas of the economy, co-operatives constitute major players in the Nova Scotia economy. The Nova Scotia Co-operative Council is working to ensure that co-operatives remain in the forefront of development for years to come.

Together, let us grow our economy - one co-operative at a time!

Dianne Kelderman, M.CED, M.Ed
Chief Executive Officer

Introduction to the Co-operative Business Development Unit

The Nova Scotia Co-operative Council is a member driven and support organization that is dedicated to the development of co-operative and credit union sectors in Nova Scotia. To better accomplish this goal, the Co-operative Business Development Unit (CBDU) has been established. The operations of this unit are focused on supporting the development of new and innovative co-operatives and stimulating the effectiveness, growth, and expansion of existing co-operatives.

Most co-operatives are established to fill the common needs of individuals and communities. The strengths of many co-operatives are not focused around management and business practices, yet co-operatives are nearly always involved in operating a business. Our experience shows that most co-ops have the ideas, the opportunity, and the desire to make their organization more effective for their members and their communities. However, they may be unable to capitalize on these opportunities due to a lack of expertise and support specific to the co-operative model. Large or small, to operate effectively, co-operatives must understand and practice good governance, good management, and good business practices. As a member of the Nova Scotia Co-operative Council, the CBDU is here to provide the services you need to both start and strengthen your co-operative.

Please contact us if you would like assistance in starting a co-operative. Members of the Nova Scotia Co-operative Council have access to our broad range of co-operative development services. Assessment consultations are also available to non-member co-operatives to determine the advantages associated with membership and subsequent development services. We are available to help you, your co-operative, and your community.

The supports and services available to both envisioned and established co-operatives are extensive. They include:

- General consultation
- Feasibility assessments
- Co-operative incorporation assistance
- Governance and management information
- Opportunity analysis
- Project management
- Business evaluation and planning
- Co-operative law and regulations interpretation
- Financing options
- Advocacy

The CBDU consists of a network of regional offices, partners, and Co-operative Business Development Officers (CBDO). These individuals all have solid backgrounds in co-operative development and sound business operations, as well as valuable contacts within the co-operative, private business, and government sectors.

For each established co-operative member and new groups wishing to consider the co-operative model for incorporation, there will be no cost for basic services. These services include many of the consultations, incorporation assistance and registration, as well as start-up requirements for the creation of new co-operatives and advisory support services for established co-operatives. Many of the more comprehensive professional services, resulting in stronger and more effective co-operative organizations, are provided on a cost recovery basis at \$300 per day plus expenses. The intention of the NSCC is to be non-profit, to provide the best level of professional services specific to the co-operative model, while itself remaining financially sustainable.

For further information, please contact the CBDO closest to you at the following office locations.

TRURO

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Introduction to Co-operatives

WHAT ARE CO-OPERATIVES?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs, and aspirations through a jointly-owned and democratically controlled enterprise.

Co-operatives are based on the values of self help, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

CO-OPERATIVE PRINCIPLES

The co-operative principles are guidelines by which co-operatives set their values into practice.

- Open and voluntary membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Co-operation among co-operatives
- Concern for community

MEMBERS MAKE CO-OPERATIVES WORK

Members make co-operatives work by:

- Electing directors to oversee management and give direction to the co-operative
- Attending meetings and other co-operative activities
- Voting on significant actions affecting their co-operative
- Formulating and approving overall objectives and policies
- Approving and amending articles, by-laws, and major policies
- Providing capital to the co-operative, in proportion to use, through investment and deferred patronage dividends
- Communicating complaints, suggestions, and needs to management and the board

- Encouraging support and involvement of members
- Encouraging and supporting the development of other co-operatives

WHAT CO-OPERATIVE DIRECTORS DO

- Directs the business affairs of the co-operative
- Listens to, informs, and advises members and the manager
- Places the co-operative first
- Takes time for meetings, keeping informed
- Participates in decision-making by asking discerning questions
- Understands the division of responsibilities between the board and manager
- Originates and approves policies
- Hires the manager, directs the manager, and appraises the manager's performance
- Annually self-evaluates the performance of themselves and the board

WHAT CO-OPERATIVE MANAGERS DO

- Represents the co-operative to the community by participating in community activities
- Represents the co-operative at meetings of co-operatives
- Reports to members through transactions, special events, and member meetings
- Provides information to members as customers, owners, and shareholders
- Implements board policies
- Advises the board on strategy, finances, operations, new technology, government affairs, policy changes, new products, and regulatory changes
- Manages daily operations
- Hires staff, provides direction and leadership, and motivates staff
- Sets goals and lays out plans to reach these goals
- Reports to the board (usually monthly) on operations, finances, accounts receivable, and proposals

WHAT CO-OPERATIVE EMPLOYEES DO

- Positively represents the co-operative to customers and members
- Understands the co-operative's unique structure and principles

- Knows how to answer ownership questions from members appropriately
- Keeps informed on current co-operative information
- Follows co-operative policies and rules
- Avoids evaluating policy or rules to members and customers
- Respects all customers and treats them fairly
- Becomes well trained so they can recommend the right products
- Is a team player and knows the goals of their co-operative
- Keeps supervisors informed and maintains a positive personal appearance

THE UNIQUENESS OF CO-OPERATIVES

- Members may be customers, owners, and patrons
- Customers expect 'best value' for their goods and services
- Customers expect high market value for products they market
- Owners are required to provide equity and finance the co-operative while maintaining a responsibility to their own needs
- Members maintain democratic control with their votes
- Patrons want adequate earnings (profits) so they can earn a return on their purchases or marketing
- These needs of the members, customers, owners, and patrons may be in conflict with each other and need to be resolved through board and member communication. This is a challenge to management and the board

TYPES OF CO-OPERATIVES

Co-operatives may be divided into two types; either they buy from the co-operative (consumer) or they sell to the co-operative (marketing). Many co-operatives are both, but one usually dominates.

Consumer Co-operatives

Consumer co-operatives include food, consumer goods, petroleum, production supplies, credit, housing, recreational equipment, water, funeral, educational services, etc.

Marketing Co-operatives

Marketing Co-operatives include agricultural products, fish products, forestry products, craft products, creative products, worker (labour) co-operatives, etc.

REASONS FOR STARTING A CO-OPERATIVE

Regardless of the type, size, geographical location, or purpose, all co-operatives provide at least one of the following:

Improve Bargaining Power When Dealing with Other Businesses. Combining the volume of several members leverages their position

Reduce Costs. Volume purchasing reduces the purchase price of needed supplies. Earnings of the co-operative returned to individual members lowers their net cost

Obtain Products or Services Otherwise Unavailable. Services or products that would not attract private business are often supplied by co-operatives

Obtain Market Access or Broaden Market Opportunities. Value added to products by processing, and offering larger quantities of an assured type and quality, attracts more buyers

Improve Product or Service Quality. Value added to their products, competition, and improved facilities and equipment increases member satisfaction

Increase Income. Distribution of the co-operative's earnings boosts the income of the members

HOW TO START A CO-OPERATIVE

The first key to success is to identify individuals with like needs who want to explore the feasibility of forming a co-operative business.

The original groups are usually potential users of the co-operative. They often have leadership and organizational skills. They organize information meetings with other potential users and discuss how the co-operative could meet identified needs, operational practices, advantages and disadvantages of the co-operative business structure, member investment requirements, financial requirements, and member commitment needed. Outside advisors experienced with co-operatives may save the group from making expensive mistakes and losing valuable time. Contact the Nova Scotia Co-operative Council at (902) 893-8966 or via email at info@nsco-opcouncil.ca for further information and assistance to your group.

Step One. Potential members meet to select a steering committee

Step Two. Conduct research to determine need, volumes, and finances available

Step Three. Analyze the market

Step Four. Develop a business plan

Step Five. Reconfirm commitment

Step Six. Develop legal documents, or articles and by-laws, by contacting the Nova Scotia Co-operative Council for model documents and assistance with incorporation

Step Seven. Approve documents and elect a board

Step Eight. Implement the business plan

Step Nine. Hire a manager

Step Ten. Acquire facilities and begin operations

The Business Plan

INTRODUCTION

A business plan is a concise, but comprehensive, description of your business. It is a written summary of the overall activities of the enterprise. It is a detailed report on your co-operative's products and production techniques, its markets and marketing strategy, its management and members, its sources and uses of funds, and its financing needs. It should not be more than thirty pages in length.

The business plan should highlight in some detail the past, present, and future of your enterprise. When well conceived and well prepared, the business plan becomes, in essence, a blueprint for financing. Further, it is a crucial component in any application for funding, whether through a credit union or any other investment or lending source. It should, therefore, be complete, well organized, and factual.

By its nature, the business plan is also a valuable management tool which forces you to plan and allows you to monitor and assess your co-operative's progress. Since it compels you to think ahead, it helps you to focus on future growth, to anticipate and deal with any changes as and when they occur, and to chart the most suitable course for your business.

It should be a statement of the mission of the enterprise which will serve as a concise testament that management understands, and can focus on, the principle purpose and objectives of the business.

A business plan prepared with the information requirements of a credit union or other substantial outside lenders in mind will greatly enhance your chances of obtaining the financing your operation needs. This booklet is designed to assist in preparing an effectual business plan for the co-operative enterprise.

OBJECTIVES

The basic objectives of the business plan are to:

- Clarify the goals of the members and to attempt to ensure that the goals are compatible
- Assess the feasibility of achieving the goals and whether it is worthwhile for members to invest their time and money
- Identify facilities, organizational structures, and resources that will be required to achieve the goals
- Identify the strategies that are required to achieve the goals

- Obtain the required capital to finance the project
- Provide a guide for the implementation of the project

PURPOSE OF THE BUSINESS PLAN

The purpose of the business plan is to present as much information as possible about your co-operative and to communicate that information as effectively as possible when you are seeking financing.

Lenders receive a great many requests for funding, each competing with the others for attention. In order to attract this attention, your co-operative and its products should be presented in a thorough, positive, and professional manner. Consequently, the content and arrangement of your business plan is of utmost importance.

What information should your plan contain? How detailed should that information be? In what order should it be presented? What will make it most effective in communicating? The purpose of this booklet is to help you find answers to these and other questions, so that you may tailor your business plan to your own particular circumstances.

WHY A BUSINESS PLAN?

The business plan is not only one of the most important elements in a presentation to the government or lenders; it is also a focal point for organizing the extra management effort. It is therefore indispensable.

The business plan forces management to think ahead and balance future plans. For example, if you forecast a 50 percent annual growth in sales, then the plan must identify the source of the working capital available to support this growth. The business plan must provide assurance that your plant facilities can, or can be expected to, handle the increase in volume, and that adequate labour and new materials will be available at the production level. In short, you will be forced to blend general forecasts with a specific plan that balances all inputs; capital, materials, labour, and production capacity.

STRUCTURE OF THE BUSINESS PLAN

Since not all businesses are alike, neither should all business plans be alike. Each must be tailored to the particular business enterprise. However, there are essential components and information which are common to all plans. These include:

- Executive summary
- Business description
- Market analysis

- Products or services
- Marketing strategy
- Operations (manufacturing or service)
- Management and organization
- Timing schedule
- Financial information
- Funds required

It is highly advisable to also include a table of contents. This will ensure that specific sections can be quickly and easily found.

ORGANIZING A BUSINESS PLAN

Introduction

Your business plan should be introduced by a concise (one to three pages) executive summary, which highlights the key elements of the overall plan.

Table of Contents

The contents should be precise and well indexed for easy reference.

Physical Condition

The plan itself should be neatly typed, well paragraphed, and set out in such a way that it invites closer examination. It should be prepared, wherever possible, in non-technical language. You may use this guide by completing the spaces provided.

Be Forthright

Every experienced investor knows that every product and every business has some degree of risk attached to it. Therefore, there should be no attempt to gloss over the negative aspects of either the product or the co-operative. Any contentious points should be anticipated and those points should be addressed in the business plan. If there are potential hazards or problems associated with the product, these should also be addressed in the business plan.

Supplementary

The most effective presentations are supplemented by relevant pictures, diagrams, graphs, and printed brochures.

Preparing a Business Plan

THE EXECUTIVE SUMMARY

The executive summary is probably the most consequential part of your entire business plan. Numerous business plans are submitted to lender capitals every working day. Not all of those plans are reviewed in depth.

Therefore, the objective of the summary is to persuade the reader to study the complete plan, thus greatly enhancing your chances of obtaining the financing you are seeking. The summary should highlight key elements of the overall plan, including:

- Your business objectives, outlined in the form of a mission statement
- A brief description of your project and market potential
- Your products or services, stressing their distinguishing features
- A brief description of your management team, emphasizing experience and ability
- A brief description of the board team and governance strategy
- Projected financial results
- How much money you require, and for what purpose
- The anticipated return on investment, and when investors may expect such return

BUSINESS DESCRIPTION

Name _____

Address _____

Date of Incorporation _____

General Description of the Co-operative _____

Brief Background of the Co-operative _____

Objectives

What Must the Co-operative Achieve Over the Next 1 - 3 Years? _____

MARKETING PLAN

To ensure an effective co-operative is able to operate as a sound business, the market that the co-operative will be operating in must be analyzed before the business is begun. It is important to determine if there is a market for the product or service and if the co-operative can compete with other corporations in the same trading area.

Good marketing means having the right product in the right place; promoted to the right people, at the right time, for the right price. These five components are often referred to as the market mix. Problems in any one or more of these areas will result in difficulties for the co-operative. It is strongly suggested that management continually examine and adjust these components to react to the market and to test new ideas and approaches.

The Right Product

Your Products

What materials, goods, or services are needed? _____

What is the source of supply? _____

How and when will the supply be obtained or shipped? _____

Are your products unique and/or eye appealing? _____

Are your products better designed and/or higher quality? _____

What sizes? Is there any special packaging? _____

Is there a need for your products? _____

Must you offer a guarantee? _____

What will be your return policy? _____

Must you stock parts for service? _____

What service and/or maintenance will you provide? _____

Buying Supplies

How much of each will you buy and from whom? _____

How will you get the best deal, best price, best terms, and best quality? _____

Is volume discount eaten up by slow turnover? _____

Can you return unsold merchandise? _____

Have you a stock control plan to avoid over-stocks, under-stocks, and out-of-stocks? _____

Have you established a line of credit with each supplier? _____

How must you pay; COD, net 30 or 60 days? _____

What inventory level will you keep? _____

How will you ensure quality? _____

The Right Place

Competition

How large is the market for your product? _____

How strong is your competition? _____

What percentage of the market does the competition have? _____

How far away is the competition? _____

What advantages do you have? _____

What advantages do they have? _____

Is there any likely new competitors? _____

What percentage of the market will you get? _____

Why do you think you can achieve this market share? _____

What trends do you see for your product or service? _____

Distribution

If you are a manufacturer, will you sell with dealers, distributors, sales agents, or direct to consumers? _____

What is common in the industry? _____

Do transportation costs dictate the best methods of distribution? _____

Zoning

What is the present and future zoning? _____

If it must be rezoned, what time span is involved and what cost? _____

The Right People

Members

Who are they, age, sex, and income? _____

Where do they live? _____

What do they want in a service? _____

Cash or credit? _____

How large (in dollar returns) is your market potential? _____

The Right Time

Advertising & Promotion

How much is adequate for your products? _____

When should you use these? _____

What media, how often, and is it seasonal? How much is adequate for your products? _____

Do you have a logo or trademark? Is it registered? _____

Is any free publicity available? _____

Will you need an advertising agency? _____

What kinds of promotions are planned, including deals, off case allowances, and contests? _____

The Right Price

Pricing

Do you know what to charge to cover your costs? _____

Are your prices competitive? _____

How important are low prices? _____

Is service and quality more important? _____

Must you give discounts for cash, volume, distributors, and salespeople? _____

OPERATIONS PLAN

Buildings & Grounds

What is the outside and inside appearance? _____

How is the building layout for lighting, heating, flooring? _____

How are parking, landscaping, snow removal, and delivery? _____

Is outside storage permissible and adequate? _____

Where will inventories be stored? _____

What is the location, size, and capacity? _____

Is it second-hand, new, or a lease arrangement? _____

If ownership, at what cost and terms? _____

Describe renovations required and construction details _____

Is there room for expansion? _____

Approvals

Will all government regulatory bodies approve your use of the building? _____

Have you checked for zoning, health, fire marshal, transportation, environment, and labour regulations? _____

Lease

What are the terms, for how many years, and at what cost? _____

Has it been checked by your lawyer? _____

Is it too short or too long? _____

Are options available? _____

Who pays to have the lease drawn? _____

What are you responsible for? _____

What is the landlord responsible for? _____

Hydrants nearby? _____

Sprinkler system? _____

Night watch person? _____

Any history of vandalism? _____

Transportation

How important is trucking to your business? _____

Are there shipping doors and truck access? _____

Are there truck restrictions? _____

Is the location accessible to your staff? _____

Is rail or air important? _____

Is it on a bus route for your staff? _____

What are the traffic patterns? _____

Utilities

Is there power supply, water, sewers, gas, etc? _____

What does each cost? _____

Are they adequate? _____

What are the costs to upgrade them to your requirements? _____

Neighbourhood

How stable is it? _____

Are you compatible with the neighbours? _____

If required, will you enjoy living nearby? _____

What are the area development trends? _____

Are there employees available in the area? _____

Restrictions

Are there protective covenants that will limit your sales? _____

Are there legal easements on your property? _____

Can you grow physically in size? _____

Insurance

Consider coverage for fire, theft, flood, automobile, boiler, machinery, glass, fidelity, tenant, key man, public liability, staff liability, and business interruption _____

If there is no sprinkler system, can you get insurance? _____

What insurance rating is on the building? _____

What will insurance cost for book value, market value, or replacement value? _____

Suppliers

Are you near them? Is it important? _____

How will you get the best price, terms, and quality? _____

Can you get quick service when you need it? _____

What will freight costs be? _____

Is there any duty? _____

Taxes

What are the present and future assessments for property and business taxes? _____

Protection

Are there regular police patrols? _____

What kind of fire protection? _____

Is there any history of theft or vandalism? _____

Production

Will you purchase parts and assemble them, or make your own parts? _____

Describe floor the plan, equipment, placement, activity flow, and job stations (use a diagram) _____

What system will you develop for production? _____

What capacity do you need? _____

What will your schedule be? _____

How will you maintain quality control? _____

What will your level of inventory be? _____

How will you maintain your equipment? _____

MANAGEMENT PLAN

An able and experienced management team is not only crucial to the success of any business undertaking, it is also the component that investors tend to examine very closely. This section of your business plan will, therefore, come under intense scrutiny by investors, so it should contain the following information:

Organization

- Describe the organization of your co-operative's management team and the role that each member plays
- Show how the individual member's talents and expertise complement each other
- Where appropriate, use an organization chart

Key Management

- By means of a brief synopsis of each management team member, clearly specify:
 - a) The duties and responsibilities of each member
 - b) Career highlights of each, emphasizing previous achievements that demonstrate ability relative to current tasks and duties
- Enclose a resume for each management team member
- Point out any weaknesses in your management team structure (if, for example, any critical skills are missing) and develop a strategy to fit this void
- Highlight availability of backup management to provide continuity for critical positions

Compensation & Ownership

- Specify exactly how each individual is to be compensated and what investment each has in the business.

GOVERNANCE

Board of Directors

The success of the co-operative enterprise, or its failure, is primarily the responsibility of the board of directors. The President or elected head of the board, as the manager of the board, must assume most of the responsibility to manage the processes of the board. It is critical then that the board must do its job effectively and efficiently and select its leader with the utmost care.

Training of the board is a most important part of the ongoing success of the co-operative, therefore

- Identify each board member and describe how they will contribute to the development of the co-operative
- Identify the planned training and information systems that the board will receive
- What is the information system from the board to the members?

Professional Advisors & Consultants

Identify your professional advisors, particularly your legal, accounting, and financial consultants. Where appropriate, you should also identify your consultants in areas such as advertising, public relations, and technology.

MEMBERSHIP

It is very important to identify the members and potential members and the services they have purchased.

Level of Member Commitment

The success of the co-operative will depend on many variables and one of these is the level of member commitment.

- What is each member's motivation for forming the co-operative?
- How much time is each member willing to commit?
- How much equity is each member willing to commit?
- Are they 'sold' on the idea of working together?
- Prepare a statement on member commitment

Distribution of Surplus

Surplus earnings are monies left over after all wages, taxes, and other expenses are paid. This money could be used for:

- Investment in the co-operative
- General reserves
- Community development support
- Describe your policy

FINANCIAL PLAN

Historical Financial Statements

If you are assuming an existing business, historical financial documents can provide valuable assistance in preparing your financial forecasts. By studying these documents, you can anticipate how to maximize strengths and minimize weaknesses in the organization.

- Strengths
- Weaknesses
- Strategies for maximizing strengths and minimizing weaknesses
- Questions for the financial advisor, after studying the historical statements you may have unanswered questions

Activities Before Incorporation

You will need to keep track of all activities leading up to the beginning of operations in monthly detail. This may identify sources and timing of cash requirements that may be needed before receiving funding. If you are planning to reimburse members for money or time spent prior to incorporation, you will need to note member's names as well as amounts to time and money spent. All activities, other than financial activities, will be noted in other areas of the business plan. A form, such as the following, can be used or devise one of your own to suit your needs.

Date	Dollars Spent	Time Spent	Item	Name of Member

Financial Forecasts

Financial forecasts are useful tools to help ensure solvency and viability. With these forecasts, all the funds that are received and disbursed are predicted along with the resulting surplus or deficit. Not only the operating and capital budgets should be taken into account, but also the ratio of cash sales to credit sales and customer paying habits. To estimate cash outflow, the promptness with which materials and merchandise are paid for must also be considered. By making a cash flow analysis, an estimate can be made of:

- How much cash will be needed to operate the business each month
- When additional short-term funds will be needed from the bank
- When there will be surplus funds to reduce bank loans

This information can assist in timing capital expenditures more appropriately and accelerating collection of accounts receivable, investing temporary surplus.

Use the following forms to make your financial forecasts.

Projected Fixed Asset Requirements

Item	Year 1	Year 2	Year 3
Land			
Beginning of the Year			
Additions			
Disposals			
Total Land (Year-End)			
Depreciation			
Net Book Value			
Buildings			
Beginning of the Year			
Additions			
Disposals			
Total Buildings (Year-End)			
Depreciation			
Net Book Value			
Equipment			
Beginning of the Year			
Additions			
Disposals			
Total Equipment (Year-End)			
Depreciation			
Net Book Value			
Other Assets			
Beginning of the Year			
Additions			
Disposals			
Total Other Assets (Year-End)			
Depreciation			
Net Book Value			

Projected Product Sales Margins

Name _____

Period _____

Item	Year 1	Year 2	Year 3	Total(s)
Product 1				
Cost of Goods Sold				
Opening Inventory				
Add Purchases				
Less Ending Inventory				
Less Cost of Goods Sold				
Gross Margin on Sales				
Total(s)				
Product 2				
Cost of Goods Sold				
Opening Inventory				
Add Purchases				
Less Ending Inventory				
Less Cost of Goods Sold				
Gross Margin on Sales				
Total(s)				
Product 3				
Cost of Goods Sold				
Opening Inventory				
Add Purchases				
Less Ending Inventory				
Less Cost of Goods Sold				
Gross Margin on Sales				
Total(s)				
Total(s)				

Projected Income Statement

Name _____

Period _____

Item	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total(s)
Sales (Standard %)													
Cost of Goods Sold													
Gross Margin													
Other Income													
Total Income (100%)													
Expenses													
Staff													
Wages (38%)													
Benefits (1%)													
Management (9%)													
Professional (2%)													
Total Staff (50%)													
Occupancy													
Depreciation & Rent (7%)													
Repair & Main (4%)													
Taxes & Insurance (4%)													
Utilities (5%)													
Total Occupancy (20%)													
Interest													
Short-Term (2%)													
Long-Term (7%)													
Bank Charges (1%)													
Total Interest (10%)													
Promotion & Information													
Travel													
Education (1%)													
Advertising (5%)													
Promotion (1%)													
Telephone (1%)													
Postage (1%)													
Training & Meetings (1%)													
Total Promo & Info (10%)													
Total Expenses (90%)													
Net Income (10%)													

Projected Cash Flow

Name _____

Period _____

Item	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total(s)
Cash Inflows													
Net Income													
Depreciation													
Decrease in A/R													
Decrease in A/P													
Loans													
Equity													
Total Cash Inflow													
Cash Outflows													
Increase in A/R													
Decrease in A/P													
Capital Expenditures													
Principal Payments													
Equity Payments													
Patronage Refunds													
Total Cash Outflow													
Cash Surplus (Deficit)													
Opening Cash Balance													
Cash or IOC Suplus (Deficit)													
Cumulative Surplus (Deficit)													

Financial Standards of Excellence for Co-operatives

Co-operative _____

Period Ending _____

Item	Standard (%)	Standard (\$)	Actual (\$)	Variance (%)
Income Statement				
Sales	N/A	N/A		N/A
Cost of Goods Sold	N/A	N/A		N/A
Gross Margin	N/A	N/A		N/A
Other Income	N/A	N/A		N/A
Total Income	100%	\$0		
Staff				
Employees	40%	\$0		
Management	10%	\$0		
Total Staff	50%	\$0		
Occupancy				
Depreciation & Rent	7%	\$0		
Utilities	5%	\$0		
Repair & Main	4%	\$0		
Taxes & Insurance	4%	\$0		
Total Occupancy	20%	\$0		
Interest				
Short-Term	3%	\$0		
Long-Term	7%	\$0		
Total Interest	10%	\$0		
Promotion & Information				
Advertising	4%	\$0		
Promotion	1%	\$0		
Telephone	1%	\$0		
Training	1%	\$0		
Signage	1%	\$0		
Other	2%	\$0		
Total Promo & Info	10%	\$0		
Net Income	10%	\$0		
Balance Sheet				
Current Assets	75%	\$0		
Investments	25%	\$0		
Fixed Assets	125%	\$0		
Total Assets	225%	\$0		
Current Liabilities	50%	\$0		
Long-Term Debt	100%	\$0		
Reserves	25%	\$0		
Shares & Loan Capital	50%	\$0		
Co-operatives Should be Within +/- 10 Percent of These Standards				

Projected Balance Sheet

Name _____

Period _____

Item	Opening	Year 1	Year 2	Year 3
Assets (Standard %)				
Current Assets (75%)				
Cash				
Deposits				
Accounts Receivable				
Inventory				
Other Current Assets				
Fixed Assets (100 - 125%)				
Lan				
Building				
Equipment				
Other Fixed Assets				
Other Assets (30%)				
Investments				
Other				
Total Assets (205 - 230%)				
Liabilities & Member Equity				
Current Liabilities (50%)				
Accounts Payable				
Line of Credit				
Current Portion Long-Term				
Other Current Liabilities				
Long-Term Liabilities (75 - 100%)				
Term Loans				
Other Long-Term				
Total Liabilities (125 - 150%)				
Member's Equity				
Shares & Member Loans (60%)				
Net Income (10%)				
Reserves (10%)				
Total Member's Equity (80%)				
Total Liabilities & Equity (205 - 230%)				

Sensitivity Analysis

A sensitivity analysis tests how sensitive your earnings are to changes in sales or expenses. On the Projected Income Statement form you made an estimate of what your sales, gross margin, expenses, and earnings will be. This exercise will help you find out if your co-operative can withstand some changes in these estimates. Check your Projected Income Statement form. Transfer the following figures from your statement:

- Sales
- Gross margin
- Expenses
- Earnings

Calculate a five percent change:

- If sales decreased by five percent (multiply sales by 0.95)
- Then gross margin will decrease by five percent (multiply margin by 0.95)
- Suppose that expenses increase by five percent at the same time (multiply expenses by 1.05 percent)
- What are your earnings now? (Gross margin minus expenses)

Will your business withstand this change?

Calculate a ten percent change:

- If sales decreased by five percent (multiply sales by 0.9)
- Then gross margin will decrease by five percent (multiply margin by 0.9)
- Suppose that expenses increase by five percent at the same time (multiply expenses by 1.1 percent)
- What are your earnings now? (Gross margin minus expenses)

Will your business withstand this change?

FINANCING

The funds for your co-operative are from several sources:

- Member share purchases (equity)
- Co-operative development funds

- Member loans
- Government loans
- Community Venture Co-operative (including CEDIF and the Equity Tax Credit Program)
- Loans from credit unions or banks

Members are required to contribute capital to the co-operative by purchasing shares. Members may contribute specific larger sums or purchase additional shares over a period of several years.

- Identify the cost of membership
- Identify the amount of equity invested by each member
- Identify the amount of member loans required by each member

Economic and social benefits are realized at a number of levels:

- Individual
- Community
- Province or County

Analyzing these benefits may help prepare you to approach governments or community organizations for assistance. Include:

- Benefits that will result
- Spin-off employment
- Other local businesses that will benefit and how

Business Development Guide Checklist

Date _____

Client _____

EXECUTIVE SUMMARY *(to be completed last)*

- What is the co-operative's name?
- What is the co-operative's legal status (certificate of incorporation)?
- What is the business description?
- What are the co-operative's products and/or services?
- What is the project?
- Who are the shareholders (structure and/or percentage)?
- Who is the management team?
- How do the work experience and/or education of the shareholders and management team pertain to the co-operative's activities?
- How many jobs will be created and/or maintained?
- What are the market opportunities (growth rates)?
- What are the costs and proposed funding (operational and/or capital)?
- What is the expected return on investment?

BUSINESS DESCRIPTION

- What is the history of the co-operative (product lines, challenges, and/or successes)?
- What are the co-operative's products and/or services?
- How is the management team structured?
- What changes will be done to organizational structure?
- What is the mission of the co-operative?
- What are the co-operative's objectives?

PROJECT

- What does the current project consist of?
- What is the project timetable?
- What are the key milestones of the project?
- What benefits does this project bring to the co-operative?
- What is the specific location of the project?
- Who is the owner of the land where the project is to take place?
- What agreement exists between the property owner and the co-operative?
- What makes the location beneficial to the co-operative?
- What are the permit and/or zoning requirements?
- What are the specific project costs?
- What are the installation, moving, delivery, and/or duty costs?
- Are quotations provided (taxes separate)?
- What are the provisions for overruns?
- Which costs are eligible for funding under government programs?
- What old equipment is being replaced in the project?
- What is the life expectancy of the equipment?
- What safety standards govern this equipment (CSA, UL, etc)?
- Who is the consulting firm for the project?
- Who is the contractor and/or project manager?
- Who is the architect and/or engineer for the project?
- Who is the co-operative's legal counsel?
- Who are the co-operative's other advisors and/or mentors?
- What is the expected downtime (production loss) during project execution?

OPERATIONS & PRODUCTION

- Who will be production manager?
- Who will do purchasing for the co-operative?
- Who are the suppliers?
- How can these suppliers ensure delivery with an increased demand?
- Who are the back up suppliers?

- What are potential supplier problems?
- What is the opening stock requirement?
- How will the floor plan be laid out?
- How can the workflow be altered to increase productivity?
- What is the current monthly and/or yearly production capacity?
- What is the production turn around time?
- Could production be increased with a second shift?
- What are the required storage facilities?
- What are the environmental considerations (waste, odour, noise, etc)?
- How can production waste be disposed of profitably?
- Has the co-operative done an eco-efficiency study?
- What is the current equipment on site?
- Which quality standards apply to the industry and/or product?
- Which safety standards apply to the industry and/or product?
- What intellectual properties, patents, and/or exclusive manufacturing (distribution) rights exist?
- Will the co-operative seek ISO certification?
- What insurance coverage does the co-operative have?
 - a) Business interruption
 - b) Life
 - c) Fire and theft
 - d) Liability (personal, professional, errors and omissions, etc)
- What additional research and development will be required on products?
- What methods are used for product development (stage-gate)?
- Who is the shipping manager?
- For what purposes will the co-operative use sub-contractors?
- How will transportation be done?
- What sector opinions are available for the industry?

HUMAN RESOURCES

- Who is the human resources manager?
- What is the current human resources plan?
- What are the current job descriptions in the co-operative?
- What additional jobs are forecasted for the next two years?
- What human resources are available (qualifications and/or specializations)?
- What is the human resources potential within the co-operative?
- What human resource training is required?
- What are the proposed pay scales?
- What considerations are given to occupational health and safety?

MARKET ASSESSMENT

- What results are available from market study?
- What are the indications of user needs and/or wants?
- What market intelligence has been gathered?
- What are the noticeable trends in the market?
- What can be noticed as a market growth rate?
- What are the purchasing patterns of the market (season, time, frequency, etc)?
- Who are the purchasers of the products and/or services?
- Who are the users of the products and/or services?
- Where can this product and/or service currently be purchased?
- What is the current market price for the product?
- What is the product lifecycle?
- What is the estimated total market per geographic area?
- What is the potential attainable market?
- What is the co-operative's target market?
- What are the segments of this market?
- Who are the clients in these segments?
- What is the current market position of the co-operative (image, market share, leader, innovator, etc)?
- Who are the competitors (direct and/or indirect)?
- What are their strengths and/or weaknesses?

- What are their individual market shares?
- What are the estimated sales per geographic area?
- How are the sales assumptions done?

MARKET STRATEGY

- Who will be the marketing manager?
- What will be the co-operative's brand name and/or logo?
- What will be the co-operative's slogan and/or positioning statement?
- What is the proposed pricing strategy?
- What are the benefits of the product and/or service (financial, performance, social, etc)?
- What will be the promotion strategy?
- What are the marketing tools to be used?
- What is the potential for e-commerce?
- What packaging will be chosen?
- What type of warranty will the product and/or service carry?
- How will the distribution network be organized?
- Who will do the sales for the co-operative?
- What sales support will be given to sales people?
- What sales incentives and/or motivation will be offered?
- How will the after purchase reinforcement be done?
- What will be the after sales service?
- How will repeat business be achieved?
- What additional products will be offered?
- What will the instruction, installation, and/or user manual look like?
- What warnings should accompany the product and/or service?
- Which industry associations are pertinent for the product and/or service?
- What volume of contracts and/or letters of intention are obtained?
- What is the estimated number of clients for the co-operative?
- What percentage of sales will be export?

ACCOUNTING

- Who does the bookkeeping?
- What training does this person have?
- What accounting software is being used?
- What level of integration does this software have with inventory, production, etc?
- How often do receive financial reports?
- What is the co-operative's fiscal year?
- Who is the external accounting firm?
- What kind of financials does the external firm produce (balance sheet, income statement, cash flow, audited, non-audited, etc)?
- What information is available from the opening balance sheet?
- Who are other advisers (fiscal, operational, etc)?
- Who establishes and/or controls the yearly forecasts (how often)?
- What consideration has been given to different sales scenarios?

FINANCES

- Who is in charge of finances?
- Who are your financial institutions (since when)?
- What are the requirements for bridge financing?
- Who are other long-term creditors (since when)?
- What is your maximum line of credit?
- What are the provisions and/or conditions made by the lender for domestic and foreign receivables?
- What are the provisions and/or conditions made by lenders for raw, work in progress, and finished inventories?
- What assets have been financed with the line of credit?
- What insurance is in place for foreign receivables?
- What is the co-operative's credit policy?
- What is the state of the receivables?
- Who does collection efforts?
- What is your bad debt to sales ratio?
- What is the state of the payables?

- How are supplier early payment discounts taken?
- What are the terms and/or incentives offered by suppliers?
- What is the long-term debt structure?
- What is the co-operative's equity?
- How is the equity structured?
- What is the debt to equity ration (total debt and equity)?
- What is the additional available equity from the shareholders?
- What is the openness for additional shareholders?
- What is the current ratio (current assets and current liabilities)?
- What is the co-operative's ability to pay long-term debt (available funds, net profit plus depreciation, current portion of long-term debt)?
- What is the personal balance sheet of the applicants (new applicants)?

OPERATIONAL ACCOUNTING

- What is the break even point?
- What are the cash flow fluctuations during the year?
- How are production costs calculated, controlled, and reviewed?
- What amounts are dedicated to research and development?
- What amounts are dedicated to marketing?

FISCAL MANAGEMENT

- How are the income tax reports done?
- Who is the tax accountant?
- How are income tax credits for research and development calculated?

RISK ASSESSMENT

- How could the political, economical, social, technological, and ecological environments affect the co-operative?
- What laws and/or regulations govern the industry and/or activity?
- How can cross border trade agreements and/or restrictions affect the sales?
- What repercussions are expected from the competitors?

- What are the expectations of new competitors?
- What succession planning has been done (buy-sell agreements)?
- What partnership agreements exist?
- What measures are in place for loss prevention?
- How could cycles in the industry affect the product and/or co-operative?
- What industry barriers to entry or influences could affect the product and/or co-operative?
- How could collective agreements affect the company, suppliers, and clients?

For additional assistance, please contact a business development officer at:

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