

CO-OP BUSINESS PLAN TEMPLATE

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INTRODUCTION

A business plan is a vital document for any successful co-op. Ideas are simply that until they can be effectively communicated and implemented in a systematic manner. A comprehensive, written document that expresses ideas and assigns specific responsibility to individuals and/or teams within your co-op provides the map for the whole organization to follow. Without a written plan, people go in their own directions, their destinations always moving before they arrive. A co-ordinated effort in a co-operative organization depends upon a written plan that everyone can follow and use as a basis of evaluation for their performance.

Your co-op's business plan should be treated as a living document. As circumstances change, change your objectives to maintain their realism, challenge, and motivational impact. Regularly refer back to the plan and revise it as you gather new information, knowledge and experience. The document is not written in stone and as your co-op business grows and changes, so should your written plan.

The people who will be responsible for implementation create the most effective business plans. Board members and managers share the responsibility to develop a co-op's business plan, and active participation should be encouraged for all employees and other appropriate stakeholders. A plan, which is generated by a single person and then forced upon those responsible for making it happen, is bound to fail.

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EXECUTIVE SUMMARY

The executive summary is a one page brief which provides the reader a quick overview of the most salient points in the business plan. It is useful to take a few minutes to review this summary regularly as it keeps the business on track. It may also be used for public and employee relations purposes.

1.0 THE CONCEPT: VISION, MISSION, PURPOSE AND VALUES

The concept section of the business plan is the foundation of the business. The opening paragraph should summarize, in a few sentences, the answer to the following question: What need will be fulfilled, precisely for whom, and why? Successful co-operatives define and respond to their members' and customers' needs, and change their business strategy as these needs change.

There are four interrelated pillars to the foundation of a co-operative business:

1. **Vision** – The vision or dream that members and other stakeholders share for the future of the co-op.
2. **Mission** – How the co-op will reach its shared vision.
3. **Purpose** – The underlying purpose fulfilled by the co-op.
4. **Values** – The Co-operative Principles and values held by all co-operative throughout the world.

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VISION

A vision is a picture that vividly represents what the co-operative enterprise can become in the future. Ideally, the co-op will receive vision pictures from all of its stakeholders (please refer to the visioning exercise) and commission a professional artist to combine the drawings into one picture for the whole organization. A co-op's stakeholders may include its members, customers, management, employees, and the community. The shared vision and focus of these stakeholders provides the unifying force for the whole organization. The collective vision provides a clear direction upon which to determine measurable objectives. Besides acting as a motivating force, significant decisions can be checked for congruence with this vision on an ongoing basis.

MISSION

The mission expresses "how to" reach the vision. The mission statement is usually one or two written pages and clearly defines the long-term direction of the co-op. Member and customer service, product quality, employee relations, management style and competitive positioning are important components of the mission statement. The mission statement is stated in broad terms, which provide guidelines for the detailed, results-oriented measurable objectives.

PURPOSE

The purpose or "raison d'être" is the co-op's single reason for being; one short sentence which articulates the underlying main role of the organization. This sentence can be used on all printed materials of the business including: letterhead, business cards, posters, packaging and annual reports.

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VALUES

Co-operatives throughout the world share similar values and uphold the seven co-operative principles recognized by the International Co-operative Alliance. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

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2.0 MEASURABLE OBJECTIVES

The measurable objectives provide the overall performance standards for the co-op as a whole. This area of the plan clearly delineates who is responsible for achieving specific results by a certain time. The phrase "who does what by when" summarizes this section.

Some examples of measurable objectives are given below:

Description of Objective	Responsibility	Completion Date
2.1 Achieve real sales growth of 10% per annum	Marketing and Sales Manager	Fiscal year-end – Dec. 31, 2007
2.2 Maintain a gross margin of 40%	General Manager and Financial Controller	Ongoing
2.3 Introduce a profit-sharing plan for all employees.	General Manager and Human Resources Manager	Nov. 1, 2007
2.4 Increase market share by 15% this fiscal year	Marketing and Sales Manager	Dec. 31, 2007
2.5 Reduce operating overhead by 2% per month for six months and maintain the new level	General Manager and Financial Controller	June 30, 2008
2.6 Create eight new products for market testing	Marketing and Sales Manager	Sept. 30, 2009
2.7 Develop and implement a new organizational structure.	General Manager and Human Resources Manager	Jan. 2, 2007
2.8 Achieve a cumulative 10% return on investment over the first five years of operation	General Manager and Financial Controller	Dec. 31, 2010

3.0 SITUATIONAL ANALYSIS

The situational analysis evaluates the external environment within which the co-op operates. This analysis identifies the opportunities and the threats faced by your co-op and in combination with the organizational objectives above, determines the co-op's marketing direction. An intuitive and rational synthesis of your co-op's past, current and future position is the key to successfully determining the co-op's strategy.

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3.1 The Co-operative Environment

The co-operative environment includes all organizations and individuals who have a stake in the success of your co-op. People who share your co-op's vision, mission, purpose and values and who are willing to participate in making it happen are included within this category. For example, members, suppliers, other co-ops, resellers, employees and community organizations all provide potential opportunities for co-operation. Opportunities in this environment are primarily related to methods of increasing efficiency, say through strategic alliances, while constraints consist of such things as unresolved conflicts and shortages of materials.

3.2 The Competitive Environment

The competitive environment includes other companies in your industry that are rivals for both resources and sales. Opportunities include offering better value to members and customers, joint ventures, and acquiring competing firms. The primary constraints are the marketing activities of competing firms and the demand constraints for your co-op's products or services.

3.3 The Economic Environment

The effects of local, regional, national and international economies on your co-op including inflation, unemployment, trade agreements, technological change and import substitution are included here. International trade offers opportunities for expanded markets but also opens domestic markets to competitors' products.

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3.4 The Social Environment

Cultural and social traditions, norms and attitudes change slowly, but have major ramifications over time on how business is conducted. Business practices that are contrary to social values become political issues and are often resolved by legal constraints. Smart co-operatives are social leaders.

3.5 The Political Environment

This comprises the attitudes, beliefs, and values of the public, social and business critics and other “special-interest” organizations. Product safety, quality, labour practices, conservation and ethical business practices are issues that may affect member and customer loyalty.

3.6 The Legal Environment

The international, federal, provincial and municipal laws directed at protecting the public interest and individual rights, provide a myriad of potential opportunities and threats. In the past two decades, much of this legislation has been geared towards creating “free markets” and less government intervention in business. This has allowed global corporations to accumulate astounding levels of wealth, power and control within oligopoly economic conditions in various industries.

3.7 The Natural Environment

Over the past two decades, the natural world has become a major consideration for our society. There is a built-in link between the economy and the natural environment. The industrial and knowledge economies are only part of what Wendell Berry calls the Great Economy – the ecosystems that sustain the whole web of life and everything that depends

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on the land and oceans. Businesses that are perceived as being irresponsible environmentally will increasingly pay the price of diminishing sales, increasing costs and decreasing profits. As organizations realize that the natural environment has limits in the amount of waste and pollution it can absorb and the costs of clean-up mount, opportunities will unfold in providing new technologies and services that conserve energy and treat the environment in a relatively benign manner. Fossil fuel depletion, water contamination and climate change will be the major forces that effect human populations and economies worldwide in the coming decades.

4.0 MARKETING PLAN

Marketing activities must be aligned with organizational objectives. Opportunities are often found by synthesizing information from the situational environments. Once an opportunity is identified, an appropriate strategy must be created to take advantage of it by:

1. Establishing marketing objectives,
2. Selecting the target market(s), and
3. Developing the marketing mix.

4.1 Marketing Objectives

The marketing objectives result from the combination of the co-op's business concept, organizational objectives and the situational analysis. In some cases, marketing objectives may overlap with the overall objectives. Net income (surplus or profit) or return on investment should be emphasized rather than sales. Marketing is everything

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your co-op does from the moment of conceptualizing new ideas to successfully meeting the needs of members and customers.

4.2 Target Markets

The success of the co-op's marketing plan will hinge on how well it identifies member and customer needs and organizes its resources to satisfy these needs profitably. The co-op must select the group or segments of potential members or customers it will serve. Effective market research and intuition is critical in this process.

4.3 Marketing Mix

The marketing mix is the set of controllable variables that must be managed to meet the needs of members and targeted customers and achieve your business objectives. The marketing mix is the core of the marketing plan. It is important to maintain your co-op's commitment to your vision and values in the marketing plan. Marketing expenditures should be viewed as long term investments in the future viability of your co-op, and need to ensure consistency in educational and promotional messages.

4.3.1 Product Mix

The determination of the products and services you will offer and how you will price them is elemental to your business. In a product-oriented co-op, how you deliver your product and the quality of service you provide is equally as important as the product itself.

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4.3.2 Price

There are many pricing strategies that are possible. You need to determine your price based on competitors' prices, your sales targets, costs and gross margin.

Price can equate with quality in your members' and customers' minds and yet if you price your product too high with excess margin, your competitors will soon enter your niche and erode your market share and profits.

4.3.3 Promotion

The mass media is usually the first thought which enters our minds when we think of promotion. National media outlets are expensive and often ineffective in reaching targeted markets because of the broad coverage offered. Public relations, community action and point-of-sale advertising are some of the most cost effective forms of promotion, particularly for community-based co-ops.

4.3.4 Place

Distribution is often the key element of a successful venture. Making sure your products and services get to your members and customers in an effective and timely manner will determine your co-op's sales, market share and profitability.

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5.0 PRODUCTION

5.1 Equipment and Facilities

Depending on the type of operation, you may require an extensive section on production equipment and facilities. A manufacturing or distribution company will require a detailed analysis of the land, building and equipment required to produce its product. A service-oriented company may only require a simple list of office equipment. The capital necessary to acquire the equipment will be an important component of the budget.

5.2 Quality Assurance

This area is crucial for any business, whether product or service oriented. All successful co-ops depend on repeat orders from loyal members and customers. The best way to assure repeat business is by providing value for money and consistently good quality. A good quality assurance system will be based on employees' motivations to create high quality, internal checks and balances and feedback from members and customers. This area has great potential to decrease waste, product returns and expenses.

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6.0 ORGANIZATION AND PEOPLE

6.1 Leadership

The Board of Directors and the management team must provide the leadership and inspiration to motivate the employees and members towards the measurable objectives of the organization. The confidence exhibited by the Board and management team, their openness in listening to and flexibility in implementing employees' and members' ideas will provide the organizational leadership required to make the business a success.

6.2 Staffing

Ideally, limit the number of employees to people who can consciously agree upon and contribute directly to that which your co-op enterprise is to accomplish, for whom, and by when. Each person involved in the business needs to understand and agree with its vision, mission, purpose and values.

6.3 Job Descriptions

To be effective, people need to clearly understand their responsibilities and their contribution in achieving the goals of the organization. Congruence between the goals of individuals and the organization must be high, and performance that exceeds agreed upon standards needs to be recognized and rewarded. There must be a good match between employees' authority to make decisions and the amount of responsibility they are expected to hold for the outcome of their decisions.

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7.0 FINANCES

7.1 Budget and Financial Control Systems

There are usually three budget scenarios included in the business plan. Each scenario represents very different outcomes. The first purpose of a budget is to set measurable targets or performance standards for the organization while offering a motivating force for the group as a whole. The second purpose of the budget is to provide a basis for financial control and management decision-making. A monthly comparison of actual results to the budget will give management an idea about what needs to be done next. A third purpose may be providing the financial arguments required to raise start-up or growth capital.

Timely and accurate financial information is a pre-requisite to a successful operation. As new information becomes available, the budget should be updated to reflect appropriate changes. The targeted return on investment will directly influence the budgeting process.

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8.0 OWNERSHIP

8.1 Capitalization

While the concept and the human motivations are the key ingredients of a successful business, ideas cannot be implemented without adequate capital. The potential sources of capital include the members, preferred shareholders, suppliers, employees, retained earnings, bank loans, and government grants. Besides the start-up capital required by a new business, all businesses need to set aside a capital pool for contingencies.

8.2 Organizational Structure

The legal structure of the co-operative will depend on the objectives of the members, the size of the business and the industry. Co-ops can be incorporated as for-profit or not-for-profit organizations. It is useful to show formal reporting relationships in an organizational chart.

8.3 Projected Return on Investment

Every co-operative, whether for profit or not-for-profit, requires some return on investment. Clear targets should be set to ensure the business provides a reasonable return on the capital invested by members and other shareholders.