



California Center for Cooperative Development  
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## ESSENTIAL BUSINESS PLANNING ELEMENTS

The business plan expands, updates, and adds precision to the feasibility study by describing in great detail what the proposed co-op is all about, what its goals are, how it will operate to achieve those goals, and establishes a schedule for doing so. The business plan tells the group what is essential for a successful co-op business venture, forces them to think through what they want to accomplish, and to make a number of important decisions before investing significant time and money.

The completed business plan also serves two very important functions: (1) it is the funding document economic-development agencies, banks, and other lenders require to grant loans and other start-up financing, and (2) it is the blueprint for starting, expanding, and operating a co-op during its first years of operation.

### THE BUSINESS PLAN:

#### 1. Identifies and defines the business.

Compare the proposed co-op to the competition to evaluate its potential. This involves identifying the industry and the product or service area of the co-op, the potential customers or clients, and the elements that would make the co-op competitive.

#### 2. Analyzes the data.

The preliminary analysis and assessment of the proposed co-op pinpoints weaknesses in the proposal and indicates whether the proposed enterprise is likely to succeed. The analytical process includes a break-even analysis and a market analysis to determine the level of business needed to make a profit and whether the market would support the proposed product or service.

#### 3. Describes the strategy.

Once rough projections are made of what the proposed co-op could achieve, it is time to make plans to achieve them. This part of the business plan has four parts:

A. **General marketing plan**, including location (if location is critical to marketing the product or service), sales and distribution, advertising and promotion, pricing, and so on.

B. **Production plan**, including location and facilities, production methods and equipment, materials, and sources of supply.

#### C. **Organization plan, including the essential co-op organization:**

- governance, participation, and ownership
- identification of the key personnel involved in the management and governance of the enterprise;
- the educational and training needs of the work force
- information about compensation and staffing – including the number of members and the functions to be performed; and
- information about the necessary supportive services and linkages.

D. **Schedule**, outlining the major steps to start the co-op, when to take them, and how they interconnect.

#### 4. Forecasts the results.

A cash flow statement showing all sources of cash over time (including cash sales and collections on credit sales, loan proceeds received, capital invested by owners, and proceeds from the sale of assets), and how the cash is



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spent (paying for shipments of inventory or supplies, paying wages and bills, buying equipment, making loan payments, and dividends or withdrawals for owners).

### **Final Document**

Once the elements are completed, the business plan should be written, organized, printed, and bound to make the strongest possible case for the co-op and its organizers, both in terms of its content and how it is presented. Because it is written partly for outsiders, such as bankers, to convince them to loan money to the enterprise, it provides background and other information to demonstrate the soundness of the venture.

Normally a formal business plan for a new co-op contains five parts:

- A. title page,
- B. table of contents,
- C. executive, or brief, summary of the findings,
- D. main body divided into sections describing the various components of the business idea in considerable detail, and
- E. supporting documentation, including the pro forma financial statements covering projected operations during the first 3 to 5 years.

*--Adapted from Ward and Kennedy, "The Business Plan Manual"*