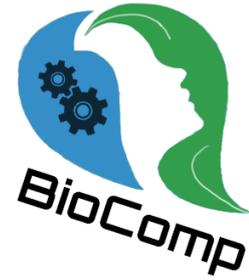




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LEARNING SCENARIO

SETTING UP A BBE COMPANY

MODULE 2

BUSINESS PLAN



Authors

This module is part of the Learning Scenario “Set up a BBE company”. It is developed in the frame of the European project “BioComp”.

Authors: Hans Blankestijn, Elke Halm and Hilda Weges.

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

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PREFACE

The Learning Scenario “Setting up a BBE company” has been developed as part of the Erasmus * project BioComp.

In BioComp, the most relevant competencies for professions in this scenario are analyzed, described and ranked. See <http://navigator.biocompetences.eu>

Based on these competencies this Learning Scenario has been developed for EQF-level 3-4. It has four modules. The focus is on technical competencies.

This module contains a text document, a trailer and a WIKI. The didactic guidance is generally made for the use of all chapters. It provides application instructions for teachers. In the annexe to these four modules, teachers can also use the Didactical Guidance, where can be found learning activities for personal and transversal competencies.

The 4 modules are:

1. Circular economy
- 2. Business plan**
3. Management, HRM and Legislation
4. Marketing plan

For “Setting up a BBE company”, the final ranking list of competencies gives the following results. The 10 competencies are covered by the 4 modules.

Nr	Ranked technical competences	module
B1	Business plan - To Identify, monitor and develop a BBE-strategy.	2
B2	Business plan - To analyse BBE-resources, markets, financial and technical aspects.	2
B3	Circular economy - To know about the bio-based value chains.	1
B4	Circular economy - To Identify European and regional strategies.	1
B5	Business plan - To Identify legal and financial aspects for setting up a BBE-company.	2
B6	Business plan - To monitor market activities.	2
B7	Marketing plan - To identify measures and marketing tools to create a marketing plan.	4
B8	Human Resource plan - Identifying measures and methods to develop a human resource plan/management.	3
B9	Marketing plan - To establish a partnership.	4
B10	Control- Identifying control mechanisms.	3

CONTENT

Module 2 contains the following topics:

1. Business plan?
2. Process for a Business plan
3. How to create a Business plan?
4. Management
5. Vision and Mission statement
6. Objectives and goals
7. Strategy, tactics and resources
8. 10 tips for a good Business plan
9. Further steps
10. Format of a Business plan
11. Facts about State subsidies
12. Quiz
13. Source

KEYWORDS

Business plan, Vision, Mission, Market, PDCA cycle, SMART, HRP, SOP, DRIVE

Pre-knowledge

Study module 1, the module Circular Economy, before you start with module 2.

1. Business plan

Definition

A **business plan** is a written document that describes in detail how a business defines its objectives and how it is to go about achieving its goals. A business plan lays out a written roadmap for the firm from each a marketing, financial, and operational standpoint. Business plans are important documents used to attract investment before a company has established a proven track record. They are also a good way for companies to keep themselves on target going forward.

Every company should have a business plan. Ideally, the plan is reviewed and updated periodically to see if goals have been met or have changed and evolved. Sometimes, a new business plan is created for an established business that has decided to move in a new direction. Good business plans should include an executive summary, products and services, marketing strategy and analysis, financial planning, and a budget.

The business plan provides a roadmap from which to operate and to look for direction in times of doubt. Without a business plan, you may shift your short-term strategies constantly without a view to your long-term milestones.



Source: www.measurelessnews.com

Task

For more information:

What Is A Business Plan? - Creating The Killer Business Plan

<https://www.youtube.com/watch?v=mSMtJMLpBZc>

What is a Business plan?

<https://www.investopedia.com/terms/b/business-plan.asp>

Purpose of a business plan - 16 reasons why you need a Business plan

What is the purpose of a business plan? Below are our top 16 reasons why you need a business plan.

- 1. To prove that you're serious about your business.* A formal business plan is necessary to show all interested parties — employees, investors, partners and yourself — that you are committed to building the business.
- 2. To establish business milestones.* The business plan should clearly lay out the long-term milestones that are most important to the success of your business.
- 3. To better understand your competition.* Creating the business plan forces you to analyze the competition. All companies have competition in the form of either direct or indirect competitors, and it is critical to understand your company's competitive advantages.
- 4. To better understand your customer.* Why do they buy when they buy? Why don't they when they don't? An in-depth customer analysis is essential to an effective business plan and a successful business.
- 5. To document your revenue model.* *How exactly will your business be successful?* This is a critical question to answer in writing, for yourself and your investors. Documenting the revenue model helps to address challenges and assumptions associated with the model.
- 6. To determine your financial needs.* *Does your business need to raise capital? How much?* One of the purposes of a business plan is to help you to determine exactly how much capital you need and what you will use it for. This process is essential for raising capital for business and for effectively employing the capital.
- 7. To reduce the risk of pursuing the wrong opportunity.* The process of creating the business plan helps to minimize opportunity costs. Writing the business plan helps you assess the attractiveness of this particular opportunity, versus other opportunities.

8. To force you to research and know your market. What are the most important trends in your business? What are the greatest threats? Is the market growing or shrinking? Creating the business plan will help you to gain a wider, deeper, and more nuanced understanding of your marketplace.

9. To attract employees and a management team. To attract and retain top-quality talent, a business plan is necessary. The business plan inspires employees and management that the idea is sound and that the business is poised to achieve its strategic goals.

10. To attract partners, develop partnerships. Partners also want to see a business plan, to determine whether it is worth partnering with your business. Establishing partnerships often requires time and capital, and companies will be more likely to partner with your venture if they can read a detailed explanation of your company.

11. To position your brand. Creating the business plan helps to define your company's role in the marketplace. This definition allows you to succinctly describe the business and position the brand to customers, investors, and partners.

12. To judge the success of your business. A formal business plan allows you to compare actual operational results versus the business plan itself. In this way, it allows you to see whether you have achieved your strategic, financing, and operational goals (and why you have or have not).

13. To reposition your business to deal with changing conditions. For example, during difficult economic conditions, if your current sales and operational models aren't working, you can rewrite your business plan to define, try, and validate new ideas and strategies.

14. To document your marketing plan. How are you going to reach your customers? How will you retain them? What is your advertising budget? What price will you charge? A well-documented marketing plan is essential to the growth of a business.

15. To understand and forecast your company's staffing needs. After completing your business plan, you will not be surprised when you are suddenly short-handed. Rather, your business plan provides a roadmap for your staffing needs and thus helps to ensure smoother expansion.

16. To uncover new opportunities. Through the process of brainstorming, white-boarding and creative interviewing, you will likely see your business in a different light. As a result, you will often come up with new ideas for marketing your product/service and running your business.

For more information: Why develop a Business plan?

<https://www.youtube.com/watch?v=uCg307Ky8eI>

2. Process for a Business plan?

Figure: Ways to make a good Business plan



Source: David Kiger

To help for a better understanding of this process a look at each step involved in creating a successful Business plan.

1. Executive Summary

Focus on where your company is, where you want to take it, and why your business idea will be successful; on your experience and background as well as the decisions that led you to start this particular enterprise. Demonstrate that you have done a thorough market analysis. Include information about a need or gap in your target market, and how your particular solutions can fill it. Convince the reader that you can succeed in your target market, then address your future plans

2. Company Description

This part outlines the different segments of the business and includes a description of how the products or services will satisfy the market needs.

3. Market Analysis

Demonstrate your business knowledge and have a firm grasp of the market size and potential market share. A SWOT analysis (strengths, weaknesses, opportunities, threats) comes into this process.

4. Organization and Management

This segment breaks down the structure of the business and includes an organization chart that shows the chain of command as well as details on the owners and business leadership. Focus on “Who does what in your business? What is their background and why are you bringing them into the business as board members or employees? What are they responsible for?”

5. Service or Product Line

This is where the focus turns to what the business will actually produce. What is it, how does it work, what need does it fill and how does it benefit others?

The purpose of the products or services section of your business plan is to clearly express the benefits you’re providing to your customers or clients.

6. Marketing and Sales

For marketing, it includes a description of potential market penetration and growth, along with channels of distribution and methods of communication with customers. For sales, it should describe the team, the training process, recruitment strategies and an analysis of sales prospects.

7. Funding Request

It includes current and future funding requirements, how the funds will be used and any other relevant financial strategies involved; also includes the period that each request will cover, the type of funding you would like to have (e.g., equity, debt), and the terms that you would like to have applied.

8. Financial Projections

Creditors will want to understand your financial expectations and projections. They are going to want to see numbers that say your business will grow — and quickly — and that there is an exit strategy for them on the horizon, during which they can make a profit.

For more information: One-page Business plan

<https://articles.bplans.com/how-to-write-a-business-plan-on-just-one-page/>

3. How to create a Business plan?

Description of the present company and future plans

Before describing the main parts of the business plan it is important to realize for whom the plan will be made. The entrepreneur/manager write his business plan for his company for himself in the first place. It contains his first steps towards a circular-economy-based company. The plan describes what they want to realize, and also how.

For different reasons, more "stakeholders" may be interested in his business plan. It gives them a roadmap in realizing the goals and objectives of the starting entrepreneur. In a circular economy, they work with many other entrepreneurs. Also, banks are interested in the ability of the company to pay back loans. Other investors are interested in how the farmer generates acceptable profit levels (return on their investment) over time. And the plan has to show that the entrepreneur/manager are aware of local, regional and national legislation. So, there are many actors in a circular-economy-based company. The interests of all potential stakeholders may be mentioned in a very compact master business plan. It is advised to develop actor specific versions of the overall business plan to better meet the needs of particular stakeholders.

Just begin with the description part of the plan, which is a description of the current business (if there is any, of course) and an overview of future plans.

Most formal plans begin with a title page to draw the attention of the reader. The title page includes:

- Business name, logo (?)
- Name and address of key owners and/or managers,
- Date of the latest revision of the plan. To keep records of the document's history is recommended. Use page 2 for that.

A table of contents typically follows on page 3 of the business plan. The table of contents cannot be made until the plan is written. But Word makes it possible to link the pages of the chapters, with the content.

On page 5 you make an overview or a definition of your business. It can be short, and simple, but easy to read and transparent. Identify primary products, production practices, marketing methods, and other highlights of the business. If possible, it is good to give a brief history of your business so far. This process is all to create an advantage in the potential market. But don't mention only the positive points, but also potential problems and risks. Demonstrate effective management, which can deal with it. Re-read the risks of circular economy versus linear economy and translate it to your situation.

Questions to be answered are:

- What type of business (merchandising, manufacturing, processing, production, service, etc.),
- What phase of the business cycle are you in (starter, grower, mature, declining, etc.),
- When will your business start, and operate (hours, seasonal or cyclical, etc.),
- Who are the customers, how many there are,
- How do you reach them, (communication, marketing)
- Why are you in business?
- Do you produce for a commodity or a speciality market?
- What is the status of your company (i.e. start-up, expansion, takeover, etc.)?
- Can you make a SWOT analysis? (Strong and weak points)

The most important question is: "Is there anything about this particular business that gives you an advantage or disadvantage in the market?"

4. Management

PDCA cycle

As businesses, including farms, become larger, more complex, and involve more stakeholders, the traditional "command and control" management style needs to be replaced by a participatory management style that includes all involved in the business. This is important in a circular economy!

PDCA was made popular by W. Edwards Deming, who is considered by many to be the father of modern quality control; however, he always referred to it as the "Shewhart cycle". Later in Deming's career, he modified PDCA to "Plan, Do, Study, Act" (PDSA) because he felt that "check" emphasized inspection over-analysis.[6] The PDSA cycle was used to create the model of the know-how transfer process ¹and other models. ²

For a new company this means that the following skills are important:

- Planning,
- Communication, marketing,
- Negotiation and relationship management,
- Controlling.

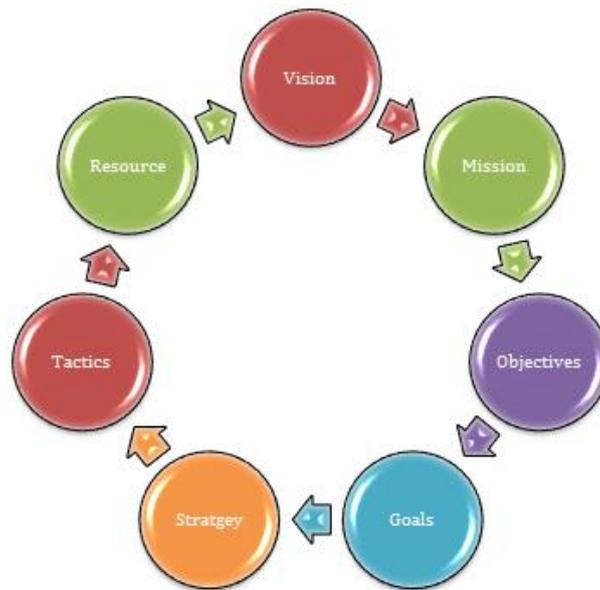
In a traditional management style, planning for the operation and the future of the business is done informally. Only one person is responsible for this management. Seldom, goals and objectives are formulated. In many cases, they are only in the minds of the individual managers or owners. In a modern BBE company, this has to be different. A more serious management style mixes long-term dreams with short-run realities in a well-formulated plan. This "planned" management style is different and it gives many possibilities.

The management (and other stakeholders) begins with a **vision** of where they want the farm to go. This vision is focused on a more concrete **mission**, which is made workable through long-term **objectives** and short-term **goals**. A **strategy** is formulated, selecting cooperating enterprises and related activities that lead to the realization of the goals and objectives. Specific tasks and **tactics** are worked out, and a **resource** base is assembled (beginning of course with the existing resource base) to implement the plan.

In the following parts of the course, the main aspects of the business plan will be described. It is summarised in the next figure:

¹ Dubickis, Mikus; Gaile-Sarkane, Elīna (December 2017). "Transfer of know-how based on learning outcomes for the development of open innovation". Journal of Open Innovation: Technology, Market, and Complexity. 3 (1)

² Dubberly, Hugh (2008) [2004]. "How do you design? - A compendium of models".



This planning flows

naturally, and is systematic. Each stage of the process gives more focus. It is an ongoing circle, a never-ending cycle of planning.

The PDCA cycle describes the four-stage control loop of the Continuous Improvement Process: Plan, Do, Check, Act. It is also called Deming Cycle, Deming Cycle, Deming Cycle, Deming Wheel, Deming Wheel or Shewhart Cycle. With the PDCA cycle, employees can independently identify and solve problems. It is part of the process of continuous improvement (CIP). A culture of continuous improvement (CIP) requires the right attitude of employees.

If you like, you can use the concepts of the Plan-Do-Check-Adjust-cycle (PDCA-cycle or Deming cycle). In this

phase weekly planning sessions can be used to discuss short-term

goals, and activities and tasks that will lead to the realisation of these goals. This systematic approach to planning and managing will help the farmer/manager to work in the direction of the vision and mission statements.

[See also Module 3: Management, HRM and Legislation](#)

5. Vision and Mission statement

Vision

Vision is a long-term concept, focusing on where the business hopes to be in the future. The vision gives guidance for the organization over the long term. Characteristics such as business size and scope, composition and quality of products or services, target markets, and workforce composition need to reflect in the vision statement. Vision statements also core values such as honesty, integrity, passion for

rural lifestyle, concern for the environment, etc.

Mission statement

The more specific **mission statement** is based on the vision. It gives the basic purpose of the farm and summarizes what is done, whom it is done for, and how the organization conducts itself. The mission statement is the basis for the rest of the plan. Realize that many businesses have failed due to a missing shared purpose or understanding regarding the direction of the company. That is why the mission statement is important to focus on the values, principles, and primary roles of the organization as a direction for the farm. These include economic, environmental and community components. The mission statement can be used for making decisions. All stakeholders need to be involved in formulating the mission statement, to create commitment.

Example

To show the difference between vision and mission: A farm has

a vision to produce the highest quality bio-meat products. Conditions like genetic characteristics of the animals, environmental conditions, its position in the regional circular economy, etc., is part of the mission statement. Developing vision and mission statements is as important as the product. Input from every stakeholder, getting feedback, revising, and re-writing creates the needed communication. Nevertheless, vision and mission are rather abstract and maybe the most difficult part of the business plan. A well-formulated vision and mission provide a good foundation for the farm and give guidance for all day-to-day activities. This will be made more concrete in the exercise.

Suggestions

Here are some suggestions for the formulation of the vision:

- Since it is difficult to think objectively about long term success in difficult times, it is better to focus on short-term goals and associated activities,
- Start with long-term planning activities (visioning) in better periods.

- Think about what you admire or respect in other people or businesses. If you respect someone hardworking and honest, then you likely value hard work and honesty. It is suggested that the vision-mission statements of the organization should address all four basic human needs and capacities (to live, to love, to learn, and to leave a legacy).

The following questions may help in formulating a clear and brief mission statement that is specific to your bio-based farm.

- What business are you in, and why?
- Why are you doing what you are doing?
- What do you want to realize with your business and in your life?
- What needs are you filling? (Not “what product are you producing?”). Are you considering new activities (what needs will you fulfil)?
- Where are you good at? (SWOT?)
- Who are your customers, and what are their needs?
- What qualities of products will you produce?
- What role do partners and employees play (tasks, responsibilities)?
- What role do you see for your company in the regional circular economy chain,
- What do you want our farm (or business) to be in ten years?
- What makes your business unique?

Examples:

IKEA:

Mission statement: Offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

Vision statement: To create a better everyday life for many people.

Tesla:

Mission statement: To create the most compelling car company of the 21st century by driving the world’s transition to electric vehicles.

Vision statement: To accelerate the world’s transition to sustainable energy.

Summary

- Done right, mission and vision statements are powerful things.
- They can unify an entire organization’s efforts and be the signpost that continually focuses everyone’s efforts on the things that truly matter.
- The key to the great mission and vision statements is clarity.
- Remember, a mission statement is the “what” and the “how,” and the vision statement is the “why.”

It doesn’t matter how large or small your business is, every business can benefit from strong mission and vision statements.

Exercise

There are many ways to start the description of a vision and mission statement. Filling in the following matrix of business and personal attributes may help to describe why your farm exists, and what it looks like. Try to fill it in yourself.

	Now (Mission statement)	Future (Vision statement)
What is your farm, what products do you provide		
Primary Production Practices (Standard or unique)		
Size and scope of the farm		
Marketing Practices (Traditional or unique)		
Management / Organizational structure		
Socio-environmental responsibilities		
Labour force structure and philosophy		

Suggestions for filling in templates

On Internet, you can find many examples of templates to fill in a complete business plan. See examples at the end of this paragraph. In this phase of the business plan, the focus is on communication with other actors. A farmer who can communicate to others what he wants to realise can realize these dreams.

Many traditional farmers find that describing their values and attitudes is the most difficult phase of a business plan. However, these common values and attitudes are the foundation of the business and will be important indicators of success. All stakeholders (employees, business partners, etc.) must be oriented to the mission.

A common criticism is that they can quickly become too abstract. This can be avoided as follows:

- Keep the most important purpose of the visioning activity in mind; to inspire and direct you and others in the business, not to impress outsiders.
- Keep both the vision statement and the mission statement brief (100 words or less) to avoid the temptation of allowing the statements to become too broad,
- Realize that developing vision and mission statements that are appropriate for your farm or business will require a lot of time and effort. Spread that effort over numerous family and stakeholder discussions.

The following templates illustrate the visioning process. Use the visioning matrix you already filled in, for making your own plan:

Vision Statement

In ten years from now, our farm will produce

We will be recognized for our ability to

We are doing these activities because

Mission Statement

The mission of our farm is to produce

This activity will provide:

- (wished financial results)
- (wished product results)
- (wished living-family environment)
- (wished family - business transition results)
- (recognition within the regional cycle, etc.)

6. Objectives and goals

All farmers have objectives and goals. The business plan helps to formulate those "dreams" as short-term goals and longer-term objectives, which are in line with vision and mission. Following the formulation of vision and mission statements, the goal-setting process is new for farmers because they have not tried to formalize their abstract ambitions. Where the mission statement provides a foundation for the plan, objectives and goals provide a solid framework for achieving the mission of the organization. Without having written goals to give direction to what you want, your farm can be influenced by forces beyond your control. This is why goals and objectives need to follow from the vision and mission of the organization, built on what you think is important from your mission statement. In other words: Make the mission statement operational by translating it into more specific objectives and goals.

Formulating goals

Objectives give a direction; goals are more specific and time-related. The goal-setting process takes time. But well-formulated goals are important in developing the business strategy. Here are some specific reasons why written goals are important, and why they work to go in the desired direction:

- Documentation about the farm will attract lenders, investors, purchasers of outputs, input suppliers, to decide whether, and how they want to be a part of the future of the business,
- Setting goals gives the farmer better motivation,
- Without goals, there is no way to measure the results of management decisions or to make adjustments, to management decisions.

Well formulated goals show the entrepreneur the right direction and help the decision-making process to optimize the company activities. Goals are also useful in communication with other actors. Goal setting asks for creative thinking, as goals are personal and unique. They reflect values and beliefs (extracted from the vision and mission). Goals need to be specific enough to provide the guidelines for decision-making, but also flexible enough to have changes in interests and priorities. The formulation of objectives and goals includes discussions with all actors. Communication and marketing are important throughout the complete planning process.

Exercise: Formulating goals and objectives

Goals that are too general provide little direction for the farmer. Remember, specific strategies and tactics (production and marketing plans) need to flow easily from the objectives and goals. Draft objectives and goals that are consistent with the self-assessment, and that comes from the vision and mission of the organization.

Category	Short Term (Goals)	Longer-Term (Objectives)
The overall farm production and activities		
Marketing and management		
Financial position, size, structure		
Personal - business interaction, Communication with community		

Exercise in self-assessment

Goal setting is about asking yourself a series of questions and giving honest answers.

- What do you want out of life?
- What do other stakeholders or other business partners (s) want out of life?

Think about your farm or your business, and as the following questions:

- What are you trying to achieve?
- What can you do that is most productive and worthwhile?
- When can you realistically achieve these things?

As you think about the things you would like to realize, also consider the people, and the potential conflicts involved by considering the following questions:

- How can you capitalize on the interests and abilities of the people involved?
- How do you resolve conflicts?
- Who will take over when you retire?

A company can start the objective and goal setting process, by having all actors involved in a “self-assessment”.

The idea of this exercise is that each actor starts the goal-setting activity by rating each statement on a scale including strongly agree (SA), Agree (A), undecided (U), disagree (D), and strongly disagree (SD).

	SA	A	U	D	SD
Statements Regarding Farming in General					
Farming is the best occupation for me					
I enjoy the variation in my work					
I look forward to working every day					
I can accept a lower income to be a farmer					

	SA	A	U	D	SD
Statements Regarding Farming/Family Interaction					
The family must work together					
Farm work comes before family activities					
I can delay farm work for family activities					

	SA	A	U	D	SD
Statements regarding specific tasks					
I enjoy working with life stock					
I enjoy growing field crops					
I enjoy machinery maintenance and repair					
I enjoy record keeping					
I enjoy marketing agricultural products					
I enjoy negotiating with other actors in the production chain					

	SA	A	U	D	SD
Statements regarding management tasks					
I enjoy planning for the future					
I believe I get higher yields and production than others					
I work harder and/or manage better than others					
I enjoy working with employees					

	SA	A	U	D	SD
Statements regarding social tasks					
I could enjoy working in another occupation					
I could enjoy working for another farm					
Our family makes important decisions together as a group					
We enjoy planning for the future together					
I am satisfied with the level of organizational communication					
I enjoy involvement in community activities					
I have too many claims on my time					

Remark:

Of course, you are free to add or change this list, to make it more fitting to your situation. This exercise shows the motivation, interests, abilities, and skills of each individual involved. To translate the self-assessment activity into formal objectives and goals, it is important to understand the difference between the two:

Objectives are more general and have a longer time horizon.

Examples of objectives:

- Increase gross income per acre,
- Reduce workload,
- Devote more time to family activities

Goals are specific time-bound statements and give the benchmarks for measuring success.

Examples of goals:

- Increase average milk production per cow next year to 8.000 kg,
- Contract with an actor/supplier to put up alfalfa crop beginning this year.

Help to see the difference

The following acronyms may help the farmer to distinguish between long-term objectives and short-term goals:

- Long-term objectives DRIVE (Directional, Reasonable, Inspiring, Visible, and Eventual).
- Short-term goals are SMART (Specific, Measurable, Attainable, Rewarding, Timed).

Exercise: Prioritisation

Formulating goals doesn't say something about the importance of objectives and goals. There is a need to make choices to reduce the demands on limited resources and to reduce conflicts between business and family activities, as well as conflicts between the objectives and goals themselves.

There is also a need to examine whether short-term goals help or not the long-term objectives. Some goals are more important to stakeholders than others. Several meetings involving all stakeholders will be needed to move the process forward.

The prioritization process does not limit the variety of goals. It makes that higher priority goals receive preference in the use of available resources.

Prioritization can be "strict" (highest priority goal is realized before goals with lower priority) or lead to "limited priority groupings" (highest priority goals get more attention, but lower priority goals are not ignored.)

The following exercise helps to prioritize goals. Begin by developing a list of long-term objectives that are agreed upon by all stakeholders.

Remember, goals are consistent and in line with the vision and mission of the organisation. You begin with the objectives because most of the time, the list of long-term objectives is shorter and less controversial than the list of short-term goals presented by various stakeholders.

With the list of agreed objectives, separately create a master list combining each stakeholder's list of short-term goals. Include with this list an estimate of primary resource commitments necessary to achieve the goal. Tentatively sum up the resource commitments by primary resource category (money, labour hours, etc.). Then rank each goal on a scale of 1 to 10 concerning how well it matches up with other goals and long-term objectives

(1 being a poor fit or conflict, 10 being complementary and consistent with achieving other goals and/or long-term objectives). Formalizing this process should help stakeholders to arrive at an "overall ranking" of the list of goals. A worksheet similar to the following can be used to summarize this information.

Goal	Labour commitment	Financial commitment	Match with other objectives and goals	Ranking

The overall ranking process again involves answering a series of questions:

- Which goals are most important for your well-being?
- Which goals are most important for the business?
- Are short-term goals consistent with, or conflicting with long-term objectives?

Good communication is important to reduce conflicts that may arise during prioritizing by the actors. This process brings business partners closer and creates a support system for the final business plan and its implementation.

Sometimes it is necessary, during the prioritization of the short-term goals, to reformulate long-term objectives, or even revise the mission and/or vision statements of the organization. Don't be afraid of that! Continue till all actors agree with a set of business objectives and goals flowing from a vision and mission that all stakeholders are satisfied with. Sometimes the process leads to disagreement regarding particular objectives or goals. In that situation, make sure that all parties at least see the issue the same way, and understand the nature of the disagreement. Also, make sure that all stakeholders have had the opportunity to share their opinions. Make sure that all stakeholders are satisfied that the decision making (goal setting) process is being done in the right way, even if they disagree with the majority on the overall ranking of a particular goal or objective. If an acceptable degree of agreement regarding a particular objective or goal cannot be reached, then it must be removed from the list, or lowered in terms of importance. Otherwise, stakeholder commitment to the overall plan will be blocked.

Some SMART based practical suggestions to avoid mistakes

Avoid making goals, which are too ambitious. Remember that goals need to be attainable within the economic and physical capabilities of the organization.

Secondly, avoid too many short-term goals at once. Each goal may seem well within the reach of the organization, but overall it is too much in the available time.

To measure progress toward goal realization is very important, but too much emphasis on the quantitative measurement can lead to frustration.

Finally, discuss and spread as much information in the goal-setting process among the actors involved. Taking not enough time to gather and evaluate the available information will often lead to less optimal planning results.

Where are you now in this process of making the business plan? The agreed-upon list of long-term objectives and short-term goals can then be incorporated into the organizations business plan along with the vision and mission statements. Keep in mind, however, that the list is never final.

Objectives, goals, and the prioritization of them can change over time, because also markets, family situations, resource availability, financial performance, interests, business opportunities, etc. will change as well. When this happens, it asks for a revision and update of the plan (PDCA-cycle).

7. Strategy, tactics and resources

If the goal-setting activity is completed, we have to look at the next parts of the topics. What can we say about the strategy, our tactics and our resources? It is clear that they directly support the realization of the goals. After you have made a prioritization, you can describe your **strategy**. This strategy is related to these goals. More specific aspects of the strategy can be described as **tactics**. A good **marketing plan** is an example of it. Apart from the marketing plan, you can describe your **resources** by making a concrete **production plan**. In this plan, techniques are described, needed equipment, and a year-round timetable.

Figure: from the Vision to the Action plan



Source: <https://image.slidesharecdn.com/>

What is an Action Plan?

An action plan is a checklist for the steps or tasks you need to complete to achieve the goals you have set.

It's an essential part of the strategic planning process and helps with improving teamwork planning. Not only in project management, but action plans can be used by individuals to prepare a strategy to achieve their personal goals as well.

Components of an action plan include

- A well-defined description of the goal to be achieved,
- Tasks/ steps that need to be carried out to reach the goal,
- People who will be in charge of carrying out each task,
- When will these tasks be completed (deadlines and milestones)
- Resources needed to complete the tasks,
- Measures to evaluate progress.

An action plan is not something set in stone. As your organization grows, and surrounding circumstances change, you will have to revisit and make adjustments to meet the latest needs.

How to Write an Action Plan?

To create an action plan it's needed several important steps to get the best out of it. Here's how to write an action plan explained in 7 easy steps.

Step 1: Define your end goal

Analyse the situation and explore possible solutions before prioritizing them. Then write down your goal. And before you move on to the next step, run your goal through the SMART criteria.

Step 2: List down the steps to be followed

The goal is clear. Create a rough template to list down all the tasks to be performed, due dates and people responsible.

Task	Assigned to	Due Date

Step 3: Prioritize tasks and add deadlines

It's time to reorganize the list by prioritizing the tasks. Prioritize with sub-steps, add deadlines, and make sure that they are realistic. Take advantage of counselling.

Step 4: Set Milestones

Start from the end goal and work your way back as you set milestones. Remember not to keep too little or too much time in between the milestone you set. It’s a best practice to space milestones two weeks apart.

Step 5: Identify the resources needed

Before you start your project, it’s important to ensure that you have all the necessary resources at hand to complete the tasks. And if they are not currently available, you need to first make a plan to acquire them. This should also include your budget, to mark the cost of each task if there are any.

Step 6: Visualize your action plan

The point of this step is to create your action plan in a shape of a flowchart, Gantt chart, or table, make that it clearly – tasks, deadlines, resources, etc. This document should be easily accessible to everyone and should be editable.

Step 7: Monitor, evaluate and update

You can mark tasks that are completed as done on this final action plan. Control the progress and update the action plan accordingly.

Company name						
Action plan						
						Company address: xxxxxx Phone: xxxxxx Email: xxxxxx@xxxxx Website: xxxxxxxx
Describe your goal here:						
Action description	Responsible Department / Employee	Start date	Due date	Required resources	Potential Blockers	Outcome

Human Resources Plan

Also, an **HR plan** (Human Resources plan) is needed. Here you describe the working positions in your enterprise. Which job descriptions do you see? What competencies do these workers have? Which financial consequences it have in terms of salaries and legal aspects?

Importance of legal aspects

It is important to have good knowledge of the legal aspects of your starting farm. Think about topics such as tax management, farm planning, business transition planning, environmental issues, etc.

There is a lot of legislation from the European Union. You will find the main legislation summarized in this section.

At the same time, it is difficult to sketch a complete picture, because the situation in every country is different. It is advised to find out the right situation yourself. Work closely with a legal counsel, an accountant, and other management professionals that are well informed. Also, chambers of commerce and farm associations can provide you with important information and advice.

[See also Module 3](#)

8. 10 tips for a good Business plan

In the previous articles, the Business plan has been described in detail in its definition, contents and structure. This article is intended to provide hints and tips that will help to develop a good Business plan.

When it comes to content, these 10 tips will help:

- 1. Know your competition.** Be prepared to name them and tell what makes you different from (and better than) each of them. But do not disparage your competition.
- 2. Know your audience.** You'll probably want several versions of your business plan- one for bankers or venture capitalists, one for individual investors, one for companies that may want to do a joint venture with you rather than fund you, etc.
- 3. Have proof to back up every claim you make.** If you expect to be the leader in your field in six months, you have to say why you think so. If you say your product will take the market by storm, you have to support this statement with facts. If you say your management team is fully qualified to make the business a success, be sure staff resumes demonstrate the experience needed.
- 4. Be conservative in all financial estimates and projections.** If you feel certain you'll capture 50 per cent of the market in the first year, you can say why you think so and hint at what those numbers may be. But make your financial projections more conservative, for example, a 10 per cent market share is much more credible.
- 5. Be realistic with the time and resources available.** If you're working with a big company now, you may think things will happen faster than they will once you have to buy the supplies, write the checks and answer the phones yourself. Being overly optimistic with time and resources is common error entrepreneurs make. Being realistic is important because it lends credibility to your presentation. Always assume things will take 15 per cent longer than you anticipated. Therefore, 20 weeks is now 23 weeks.
- 6. Be logical.** Think like a banker, and write what they would want to see.
- 7. Have a strong management team.** Make sure it has good credentials and expertise. Your team members don't have to have worked in the field, but you do need to draw parallels between what they've done and the skills needed to make your venture succeed. Don't have all the skills you need? Consider adding an advisory board of people skilled in your field, and include their resumes.

8. Document why your idea will work. Have others done something similar that was successful? Have you made a prototype? Include all the variables that can have an impact on the result or outcome of your idea. Show why some of the variables don't apply to your situation or explain how you intend to overcome them or make them better.

9. Describe your facilities and location for performing the work. If you'll need to expand, discuss when, where and why.

10. Discuss payout options for the investors. Some investors want a hands-on role; some want to put associates on your board of directors; some don't want to be involved in day-to-day activities. All investors want to know when they can get their money back and at what rate of return. Most want out within three to five years. Provide a brief description of options for investors, or at least mention that you're ready to discuss options with any serious prospect.

And here's what *not* to include in your business plan:

1. Form over substance. If it looks good but doesn't have a solid basis in fact and research, you might as well save your energy.

2. Empty claims. If you make a statement without supporting it, you may as well leave it out. You need to follow up what you say in the next sentence with a statistic, fact or even a quote from a knowledgeable source that supports the claim.

3. Rumours about the competition. If you know for sure a competitor is going out of business, you can allude to it, but avoid listing its weaknesses or hearsay. Stick to facts.

4. Superlatives and strong adjectives. Words like "major," "incredible," "amazing," "outstanding," "unbelievable," "terrific," "great," "most," "best" and "fabulous" don't have a place in a business plan. Avoid "unique" unless you can demonstrate with facts that the product or service is truly one of a kind. (Hint: Chances are, it isn't.)

5. Long documents. If readers want more, they'll ask.

6. Overestimating in your financial projections. Sure you want to look good, but resist optimism here. Use half of what you think is reasonable. It's better to underestimate than set expectations that aren't fulfilled.

7. Overly optimistic time frames. Ask around or research on the Internet. If it takes most companies six to 12 months to get up and running, that's what it'll take yours. If you think it'll take three months to develop your prototype, double it. You'll face delays you don't know about yet—ones you can't control. Remember to be conservative in your time predictions.

8. Gimmicks. Serious investors want facts, not gimmicks. They may eat the chocolate rose that accompanies the business plan for your new florist shop, but it won't make them any more interested in investing in the venture.

9. Amateurish financial projections. Spend some money and get an accountant to do these for you. They'll help you think through the financial side of your venture, plus put the numbers into a standard business format that a businessperson expects.

9. Further steps

How to continue?

At this phase, you have made your business plan. Maybe you have downloaded one of the templates for making it complete. But you are not ready yet. There is still a lot to be done, especially on your management competencies. You will understand that this new way of management is different from the old hierarchical and bureaucratic management style. A human, or "people-oriented" organizational structure spreads out the decision-making responsibility among the individual employees and managers, or teams of employees and managers. A "hybrid" organizational structure might capture some elements of the people-oriented organizational structure while providing some top-down direction from management. It is up to your farming, what is the best one.

It helps to look also the following additional links to "People-oriented management".

- <https://www.quora.com/What-is-a-people-oriented-management-style>
- <http://online.stu.edu/reasons-oriented-leadership/>
- or you can search yourself on these keywords, in English or your language.

Further reading and tools

An advice to all trainees: Use the Internet. There is so much to be found. Start with Wikipedia and search for Circular Economy. Good to start with.

Visit also the website of the European Commission:

- http://ec.europa.eu/environment/circular-economy/index_en.htm
- On June 28, 2016, the European Commission adopted an ambitious Circular Economy Package, which includes revised legislative proposals on waste.

A presentation from Mr Rodney Jones is from some years ago, however, it contains a lot of valuable information.

<http://www.agmanager.info/finance-business-planning/farm-business-transition-planning/building-business-plan-your-farm>

About making your business plan, you can find many templates. Some are free to download. Just look for "business plan templates". You also can search your language of course.

<http://www.inc.com/larry-kim/top-10-business-plan-templates-you-can-download-free.html>

Why reinvent the wheel? Get a professional **business plan template** at no cost. (2015)

<http://www.businessnewsdaily.com/5067-free-business-templates-word-pdf.html>

Need a business plan? Here's a list of free **business plan templates** you can create online or download as PDF and Word files. (2016)

<http://www.bplans.com/members/downloads/business-plan-template/>

Jumpstart your business plan by downloading a free **business plan template** in Word format. Instructions on how to build your business plan are included.

Format for a Business plan

1. Profile of your company

- ✓ What characterises your company?
- ✓ What does it produce?
- ✓ What are the strengths of your company?
- ✓ Who is the target group?
- ✓ Who are the founders/managers?

2. Business concept/plan

- ✓ What is your business concept?
- ✓ What are your goals for the coming years? (1-3 years at start-up)

3. Product/Service

- ✓ What is your company's portfolio?
- ✓ (Description of products, services, etc.)

4. Market analysis

- ✓ What is the market situation in the context of the portfolio?
- ✓ What is special about your business?
- ✓ Can your product/service be expanded?
- ✓ Can your target group be grown?

5. Competitive situation

- ✓ Who are the other companies that belong to your portfolio? (radius 30 - 100 km)
- ✓ What are the specifics of your company to distinguish it from the other companies? (e.g. target group, special product, special service)

6. Location

- ✓ Where is your company? (Description e.g. location, building linked to your business idea, age of target group, what businesses are in the immediate environment that may have a "pull" effect for your business).

7. Marketing and distribution

- ✓ Describe your marketing activities, e.g. through target group-oriented presentation, online activities (see module "Marketing Plan").

8. Company organisation

- ✓ What is the legal form of your company?
- ✓ What is the name of your company?
- ✓ Which employees do you need? (e.g. qualification)
- ✓ Are there organisations whose membership is beneficial for your company?
- ✓ Are there any special regulations for your company? (e.g. opening hours)

9. 3-year plan and possible scenarios

- ✓ Based on your financial plan, the orientations, specifications and prices to be achieved are to be described.
- ✓ Financial advice should be consulted here.
- ✓

10. Capital requirements and financing

- ✓ Based on your financial plan (1-3 years), show the following:
- ✓ a) Costs your enterprise has e.g. personnel, material and other costs as well as insurance costs, set-up costs
- ✓ b) Income and sources
- ✓ c) Capital requirements, e.g.
 - ✓ - for office, technical equipment long-term/medium- and short-term investments
 - ✓ - Operating funds
- ✓ The financial requirements are to be determined from these.

11. Business plan calculation

- ✓ For 3 financial years, you have to make a monthly budget calculation.

Example:

Financial year 1	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	total
1. liquid capital at the beginning of the month (bank + cash)	50.00 0	42.550											
2. incoming payments, gross	6.000												
- Turnover	-												
- Other payments	6.000												
Liquidity available in the month (= 1.+2.)	56.00 0												
3. project-related out payments ("external costs")	5.000												
- Goods/material													
Raw profit (= 2.-3.)	1.000												
4. current out payments ("fixed costs")	6.950												
- Personnel costs	-												
- insurances	5.500												
- etc.	- 350												
5. private withdrawal	1.500												
Surplus/deficit (= 4.+5.-raw profit)	-												
	7.450												
6. liquid capital at the end of the month (= 1.-surplus/deficit)	42.55 0												
- e.g. + current account credit	-												
	1.500												
7. liquid capital incl. current account credit (= 6.+credit)	44.05 0												

12. profitability preview of the next three years

<i>Preview of turnover</i>	year 1	year 2	year 3
Turnover customer / product/service			
1. sales revenue			
Revenue preview			
2. purchase of goods			
gross profit (i.e. 1 minus 2)			
3. expense costs (e.g. fixed costs)			
<i>Operating profit</i>			



11. Facts about State subsidies

Definition of subsidies

Subsidies are a way by which governments give money to private firms, usually to keep prices low, or, to protect the firm and jobs. This can come through a cash payment or a specific tax cut.



There are two types of subsidies – indirect and direct.

➤ Direct Subsidies

A direct subsidy is where the government provides payment to a party by which no goods or services are exchanged. So payment is made, but the government receives nothing in return. Direct subsidies can include payments to both private businesses, as well as low-income households. So this could include housing benefits, food vouchers to low-income households, or 'cash in the bank' payments to private firms.

➤ Indirect Subsidies

Indirect subsidies are those that offer a third party a benefit without a specific monetary value. For example, we can consider government-backed loans as a type of subsidy. It is not a cash transfer but does provide specific firms with a benefit.

In short, direct subsidies are cash payments to third parties. At the same time, indirect subsidies provide a benefit that is not paid specifically to the third party.

➤ Benefits of Subsidies

When looking at the benefits subsidies provide, we must also consider their effects – this is because they often have trade-offs. For each benefit, a subsidy provides, there is an equal and opposite negative effect. The question, therefore, must be whether such benefits are worth such costs.

➤ Negatives of Subsidies

Whilst looking at the negatives of subsidies, it is important to remember the trade-offs. Even though higher taxes may be necessary, is the result and benefit worth the cost? Furthermore, who should decide if those costs are worth it?



5 Facts about state subsidies

Well over 1,000 different funding programmes are available to start-ups and small businesses - thanks to the various funding pots of the EU and the member states.

Who are subsidies aimed at?

- small and medium-sized enterprises
- Self-employed persons
- Freelancers
- Start-ups and those who want to become one
- Persons who plan to expand their current small business into a full-time existence.

What types of subsidies are available?

For small and medium-sized enterprises (SMEs), for the self-employed and freelancers, there are different government subsidies programmes available, depending on the Member State, which can be used to finance almost all commercial/entrepreneurial projects.

Entrepreneurs can choose between low-interest loans, indemnities, guarantees, subsidies, (state) equity capital and grants.

All these business subsidies are financed by tax money from the member state and the European Union (EU). Contacts for public funding are specialised banks, investment companies, development banks, regional authorities and numerous project promoters.

Aim of the subsidies

The member states and the EU provide funds and guarantees to support and strengthen SMEs in Europe. In this way, the public authorities want to ensure that SMEs develop positively in the long term, strengthen their position in the market, expand competitiveness and form networks.

Small and medium-sized enterprises (SMEs) secure numerous jobs in the region, and they guarantee competitive diversity and a varied range of different products and services. The state rewards these efforts through various programmes and financial aid, which you too can use for your business.

NOTE: Let you advise on finding exactly the support with subsidies that suits your company and your individual project!



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Which sectors are promoted?

Traditionally, many craftsmen are among SMEs. However, not only crafts are publicly funded, but also companies from trade, industry and the service sector.

Hotels, cafés and restaurants as well as liberal professions can also participate in one of the funding programmes. Certain funding conditions apply to agricultural enterprises and to care facilities.

Start-ups, in particular, can also benefit from specially designed state support measures - financial support from the state is often indispensable for a successful start-up or company takeover.

State subsidies for many purposes

The state supports SMEs by co-financing working capital, innovations, research projects, stockpiling of goods, development costs for new products and processes, pre-financing of orders and consolidation. Business growth or securing a location costs money, so the subsidies can be used for the following projects, among others:

Company succession

Construction costs for a new building, conversion, rehabilitation or renovation of a company building

Office equipment and other furnishings for business premises

Fitting out a business or shop

Building up and expanding the warehouse

Operating resources to ensure ongoing business operations, if necessary refinancing of financial obligations

Computers, printers, other hardware and software,

Acquisition of machinery, equipment and other facilities

Acquisition and, if necessary, individual conversion of company vehicles

Leasing costs for vehicles and machinery

Expenditure on patents, licences and other intangible investments

Construction and expansion of a broadband network, all digitisation measures

What conditions must a subsidised company fulfil?

Depending on the funding programme chosen, the funders impose different conditions on the funded companies. In principle, however, all small and medium-sized enterprises (SMEs), as well as self-employed persons and freelancers, can apply for state funding. If a programme is intended exclusively for SMEs, applicants must meet the European Union's definition.



The EU defines an SME as a company that employs no more than 250 people and whose annual turnover is no more than 50 million euros. Alternatively, the most recent annual accounts must show a balance sheet total of no more than 43 million euros.

If only up to 50 employees work for a company and the annual turnover or the balance sheet total of the last business year is less than 10 million euros, it is a small company.

So-called "micro-enterprises" are companies that have fewer than ten employees and whose annual turnover or the last annual balance sheet total is less than 2 million euros.

What documents do the funding institutions require?

The banks and government agencies that decide on the allocation of funding require the submission of several documents to get an idea of the applicant's financial situation. The requested documents include, among others, annual financial statements, current business management evaluations (BWA), income and profit statements (EÜR) as well as statements on ownership and shareholdings. In addition, applicants must prepare and submit an informative business plan that is specific to the addressee.

Note: Take advice from an expert!



12. Quiz

1) What is true for writing a Business Plan?

Select one:

- a. It is the Working-Discussion-Check-Analyses-cycle.*
- b. It is important to do it during the startup.*
- c. It is the Plan-Do-Check-Act-cycle.*

Answer: b. (It is important to do it during the start-up.)

2) What skills are important for a new farm?

Select one:

- a. Planning, communication, marketing, negotiation, relationship management.*
- b. Market, enough money, the status of the company.*
- c. Manufacturing, processing, production, merchandising.*

Answer: a. (Planning, communication, marketing, negotiation, relationship management.)

3) What means SMART?

Select one:

- a. It helps to formulate long term objectives.*
- b. It helps to formulate short term objectives.*
- c. It is a tool to measure the intelligence of the workers.*

Answer: b. (It helps to formulate short term objectives.)

4) Which legal aspects are important for your start

5) ing farm?

Select one:

- a. Tax management and environmental issues*
- b. Business transition planning and farm planning*
- c. Both answers are true*

Answer: c. (Both answers are true.)



6) What means SOP?

Select one:

- a. Standard Operating Performance*
- b. Standard Operating Procedures*
- c. Self-Operating Procedures*

Answer: a. (Standard Operating Performance)

7) What is the advantage of setting goals?

Select one:

- a. Both answers are true.*
- b. Without goals you cannot measure the results of decisions.*
- c. It gives the farmer a better motivation.*

Answer: a. (Both answers are true.)

8) What risks does an entrepreneur in a circular economy has to be aware of?

Select one:

- a. Waste is a new resource.*
- b. The effect of climate change is not important.*
- c. The use of original resources.*

Answer: c. (The use of original resources.)

9) What is the difference between vision and mission?

Select one:

- a. Mission is related to the church.*
- b. Mission is part of the vision statement.*
- c. Vision is part of the mission statement.*

Answer: b. (Mission is the part of the vision statement.)



10) What means DRIVE?

Select one:

- a. It helps to formulate long term objectives.*
- b. It helps to formulate short term objectives.*
- c. Is about the license for the tractor.*

Answer: a. (It helps to formulate long term objectives.)



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