BEYOND FEES

A Guide to Income Generation in Schools
This guide is designed to take you through the process of identifying and implementing income generating strategies at your school.

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CHAPTER ONE
Why Generate School Income?

The Social Perspective:
Schools have traditionally funded their activities from three key sources:

1. Charging Fees
2. Government Grants
3. The Altruism of Others - religious groups, NGOs, wealthy individuals etc..

Despite the great need and demand for vocational education in developing countries, the widespread lack of its availability suggests that these sources are not sufficient.

There is a fourth source: Schools Generating Their Own Income

The School’s Perspective:
Why should my school generate more of its own income?

It will enable you become a better school
Whatever your current sources of funding, if you had more income you might be able to:
- Hire more teachers
- Improve school facilities
- Teach new subjects
- Reduce school fees / offer scholarships to poorer students

It will enable you to offer a better education
Teaching your students technical skills is not enough when there may be few jobs to go on to. Income generating activities within a school can offer:
- A practical environment in which to teach entrepreneurship skills
- Experience for the students in all aspects of running a profitable business
- Vital feedback about whether approaches taught are up-to-date and capable of producing a profit

It requires teachers with an entrepreneurial mindset to enable a school to generate more of its own income. If your school has the skills to make it work, you will transform the quality of education you are able to offer.
CHAPTER TWO

Where To Start?

Starting up an income generating activity for your school is very much like starting up a new business.

The experience gained by staff at the school in working through this process will also improve their ability to teach students how to set up a new enterprise.

The process is as follows:
1. Identify Your Resources
2. Consider Your Operating Environment
3. Determine Possible Activities

Identify Your Resources

To succeed in generating income you need to choose an activity which takes full advantage of your strengths. All schools have resources available to them which could be used to generate income. By thinking what these resources are you will be able to build up a picture of where your competitive advantages lie.

Typical resources a school might possess include:
   a. Natural Resources: Land, Water, Trees etc..
   b. Human Resources: Teachers, Non-Academic Staff etc..
   c. Physical Resources: Buildings, Equipment etc..
   d. Financial Resources: Money
   e. Intangible Resources: Goodwill

NATURAL RESOURCES

It may seem obvious, but it’s a basic fact - the more land you have, and the higher its quality, the easier it will be to generate income from agricultural activities.

Similarly the availability of water will make a huge difference to the range of possible income generating activities you can choose.

HUMAN RESOURCES

The range of skills, knowledge and experience of staff at the school will play a vital role in i) deciding which activities to choose, and ii) managing the business side of any income generating activity.
The knowledge of specialist teachers should enable a school to produce higher quality goods and services, giving it a clear competitive advantage.

Teachers and non-academic staff with experience of working in businesses will be particularly valuable.

**PHYSICAL RESOURCES**

School buildings and equipment represent yet another set of resources that can be used to generate income.

Often these resources are not in constant use, particularly out of school hours or term time. This creates an opportunity for them to be hired out or used in providing an income generating service.

**FINANCIAL RESOURCES**

Lack of existing financial resources is one of the main driving forces behind the need for schools to generate more of their own income.

Nonetheless where schools do have funds available that can be used flexibly, it is useful to consider how these can be best allocated, and if they could be used to support income generating activities.

**INTANGIBLE RESOURCES**

It is easy to forget the goodwill that normally exists within a community towards its schools.

If a buyer has a choice of two identical products of equal price, but where one is being sold for the benefit of a local school, they will often buy the school’s product in preference.

This represents an advantage – as long as potential buyers are aware that the product is being sold for the benefit of the school!

**NB:** You will never have as many resources as you would like available, but starting small and building upon your success will always be a viable strategy.

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**Consider Your Operating Environment**

The resources you have available will play a part in deciding what activities you might choose to follow. An equally important consideration is the operating environment in which you will try to run your income generating activity.

If your operating activity does not support the activity you want to pursue, you may find it extremely hard to succeed in generating income from it. Aspects to consider include:

- Stakeholders
- Local Market
- Transport
- Climate
- Availability of Finance
STAKEHOLDERS
Schools exist to educate. The need to maintain & improve the quality of that education is the one thing all stakeholders – students, teachers, parents, governing boards, funders – will always agree on.

Clearly communicating how your students will benefit from your proposed income generating activity will be a key task in your early stages of planning.

It may seem self-evident, but without the support of all stakeholders, an income generating project will quickly run into difficulties.

However, with the active support of your stakeholders the possibilities for success become many times greater. They may become an important market for your product, its advocates, and even its sales and distribution network!

This makes it good practice to seek as much participation from stakeholders as possible in the planning stages of the project.

LOCAL MARKET
Every business needs buyers. To become profitable, there must exist a sufficient number of buyers who:

i) need / want your product
ii) can be made aware of it
iii) are able to access where it is sold
iv) have the money to buy it

Considering the nature of the local market will play an important part in deciding which types of activity are most likely to represent a good business opportunity.

TRANSPORT
Having a market for your product is not enough. To be sold, it must first arrive at that market in good condition.

To maximise your profits the transport costs cannot be too high.

How far away your market is, and what transport options are available should therefore affect your choice of income generating activity – e.g. where roads are poor, and distances long, higher value, hard-wearing products will be required.

CLIMATE
As well as its importance in determining what types of activities - particularly farming activities - you are able to undertake, climate will affect other areas of your operation.

The climate can impact directly communications, and transportation, as well as affecting the demand for your product. Even whether customers have money to buy your products may change where the weather plays a part in determining their own income.

AVAILABILITY OF FINANCE
Even once it is profitable, running a income generating activity at your school will usually require finance.

Some activities however will require a lot more finance – to pay for materials and equipment – than others.

Part of deciding what activity to undertake will therefore depend on whether there are local sources of finance, such as banks or microcredit programs, that will be prepared to lend you money when you need it.

Starting out small, and gradually demonstrating your ability to run your activity successfully, may often offer a good route to attracting financing where it sources exist, but will not offer money to a new and unproven activity.
Determine Possible Activities

The number of possible ways in which schools can generate their own income is almost limitless – or at least, limited only by resources and operating environment constraints that you have already considered.

For a typical agricultural school, the below represents an outline of some of the activities and products that may be possible.

<table>
<thead>
<tr>
<th>PRIMARY ACTIVITY/PRODUCT</th>
<th>SECONDARY PRODUCT</th>
<th>PROCESSED PRODUCT</th>
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</thead>
<tbody>
<tr>
<td><strong>ANIMAL</strong></td>
<td></td>
<td></td>
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<tr>
<td>Herbivore</td>
<td>Milk</td>
<td>Dairy</td>
</tr>
<tr>
<td>Cows (Beef)</td>
<td>Offspring for meat (lamb etc.)</td>
<td>Yoghurt, cheese, butter, cream, ice cream</td>
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<tr>
<td>Sheep (Mutton)</td>
<td>Offspring for fattening (calves, piglets etc)</td>
<td>Meat</td>
</tr>
<tr>
<td>Goats (Goat)</td>
<td>Offspring as pets (rabbits, guinea pigs)</td>
<td>Sausages, pies, dried &amp; smoked meat etc.</td>
</tr>
<tr>
<td>Omnivores</td>
<td>Reproduction services</td>
<td>Non-food</td>
</tr>
<tr>
<td>Pigs (Pork)</td>
<td></td>
<td>Wool, skins, leather etc.</td>
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<tr>
<td>Small Mammals</td>
<td>Milk</td>
<td>Dairy</td>
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<tr>
<td>Rabbits (Rabbit)</td>
<td>Offspring for meat (lamb etc.)</td>
<td>Yoghurt, cheese, butter, cream, ice cream</td>
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<tr>
<td>Other e.g. Grass-cutter, guinea pigs etc..</td>
<td>Offspring for fattening (calves, piglets etc)</td>
<td>Meat</td>
</tr>
<tr>
<td>Poultry &amp; Birds</td>
<td>Eggs,</td>
<td>Meat: Sausages, pies, dried &amp; smoked meat, mayonnaise etc.</td>
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<tr>
<td>Chicken (Chicken)</td>
<td></td>
<td>Non-food: Down &amp; feathers</td>
</tr>
<tr>
<td>Geese (Goose)</td>
<td></td>
<td>Non-food: Down &amp; feathers</td>
</tr>
<tr>
<td>Ducks (Duck)</td>
<td></td>
<td>Non-food: Down &amp; feathers</td>
</tr>
<tr>
<td>Pigeons (Pigeon)</td>
<td></td>
<td>Non-food: Down &amp; feathers</td>
</tr>
<tr>
<td>Bees</td>
<td>Honey, pollen, wax, honeycomb, royal jelly, queens</td>
<td>Non-food: Candles, healthcare products</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>Fingerlings (for fish farms)</td>
<td>Meat: Dried / salted / pickled / smoked fish. Fish eggs</td>
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<tr>
<td>Freshwater Fish (Tilapia, Nile Perch, Trout etc.)</td>
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<td>Prawn &amp; Shrimp</td>
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<td>Shellfish</td>
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<tr>
<td>Misc</td>
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<tr>
<td>Frogs, snails etc..</td>
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<td></td>
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<tr>
<td>Agriculture</td>
<td>Seeds</td>
<td>Food:</td>
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<td>--------------------------------------------</td>
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<tr>
<td>Horticulture</td>
<td>Seeds</td>
<td>Preserved (dried, pickled, salted)</td>
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<tr>
<td>Vegetables</td>
<td></td>
<td>Condiments (Sauces, Chutneys, Pickles etc..)</td>
</tr>
<tr>
<td>Herbs</td>
<td></td>
<td>Processed (vegetable crisps, peanut butter etc..)</td>
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<tr>
<td>Spices</td>
<td></td>
<td>Oils &amp; flavoured oils</td>
</tr>
<tr>
<td>Nuts</td>
<td></td>
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<td>Food:</td>
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<tr>
<td>Preserved (dried, pickled, salted)</td>
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<td>Condiments (Sauces, Chutneys, Pickles etc..)</td>
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<td>Processed (vegetable crisps, peanut butter etc..)</td>
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<td>Oils &amp; flavoured oils</td>
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<tr>
<td>Medicinal:</td>
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<tr>
<td>Dried herbs</td>
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<tr>
<td>Fruits</td>
<td>Seeds</td>
<td>Jams &amp; Preserves</td>
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<td></td>
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<td>Dried fruit</td>
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<td></td>
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<td>Juices</td>
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<tr>
<td></td>
<td></td>
<td>Fruit wines</td>
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<tr>
<td>Cash Crops</td>
<td>Seeds</td>
<td>Ground roasted coffee</td>
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<tr>
<td></td>
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<td>Chocolate, cocoa butter etc.</td>
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<tr>
<td></td>
<td></td>
<td>Non Food: Textiles (cotton / flax)</td>
</tr>
<tr>
<td>Staple Crops</td>
<td>Seeds</td>
<td>Crisps</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baked products</td>
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<tr>
<td></td>
<td></td>
<td>etc.</td>
</tr>
<tr>
<td>Trees (Wood)</td>
<td>Seeds</td>
<td>Farm products e.g. fences, bee-hives etc..</td>
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<td></td>
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<td>Household products e.g. furniture</td>
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<td></td>
<td></td>
<td>Artisan &amp; Craft products</td>
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<tr>
<td></td>
<td></td>
<td>Processed products e.g. paper, charcoal etc..</td>
</tr>
<tr>
<td>Other</td>
<td>Seeds</td>
<td>Processed: Dried, oils etc..</td>
</tr>
<tr>
<td>Flowers</td>
<td>Seeds</td>
<td></td>
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<tr>
<td>Mushrooms</td>
<td>Seeds</td>
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## SERVICES

### Skilled Services
- Veterinary services
- Agricultural / Educational Consultancy
- Marketing services
- Export / import services

### Facility Based Services
- Conference facilities
- Tourism / Eco-tourism facilities
- Third-party courses
- School shop
- Internet Cafe
- Workshop / Processing facilities
CHAPTER THREE

Research The Market

By now you may already have a few ideas about which kinds of activities and products will offer the best opportunities for generating income for your school.

You’ve already considered the local market, now’s the time to test your assumptions and actually research it.

Lack of sufficient market research is a major factor in why so many new enterprises fail. Don’t just assume - do some research!

Assessing Demand

How you assess demand, how easy it is, and how accurate, will depend on whether the product is more or less identical to an existing product already sold e.g. milk, meat, grain etc.

For such products the greater the demand, the greater the opportunity for sales – if you can produce it at the right price of course!

Where products are new to your market, or differ substantially based on their quality, they will be harder to assess (although they may also be more profitable – see later).

TECHNIQUES

Observation

For products similar to ones already on sale, simple observation can be enough to provide a good idea of demand.

- How much of the product is sold in an hour?
- At what price?
- What types of customer are buying it?
The more outlets you can look at, the better your understanding will be of the factors that shape demand.

- How does the price of the product affect sales?
- How much does the price vary between different outlets?
- How does the type of outlet affect sales?
- How does the location of the outlet affect sales?
- How does the presentation of the outlet / product affect sales?

**Surveys**

For new markets, or new products, surveys can be a good way of assessing likely demand.

Surveys can take the form of a questionnaire conducted in person, or by mail.

The larger the number of people surveyed the better your results will be. The more focussed the questions, and the more limited the choice of answers you offer participants, the easier you will find it to draw conclusions from the results.

Asking as wide a cross-section of the population as possible - i.e. old, young, men, women, rich, poor etc. - to take part in your survey is very useful. If you asked only young people or only older people for instance it is likely that you would get different results.

By including a diverse mix of people you will get a good idea not only of demand, but also of who your best target market might be. This can then help you to select a suitable group of people to take part in a focus group.

**Focus Groups**

A complementary approach to surveys, which is used more and more, is that of focus groups.

Here you take a small group of people from your target market and get them talking in a very open way about themselves and your product.

By listening carefully to what they like, and dislike about your product, and how it fits into their lives, you will get very useful information on the factors that shape demand.

The information from surveys and focus groups will not only give you a good picture of demand, but it can also be used to help you improve your product, and to decide how to best promote it.
CHAPTER FOUR

Basic Business

You’ve had a few ideas about what to produce, and from your research you now know which products there’s a market for.

But which of these products will generate my school the most income?

It’s worth reminding ourselves of some very basic economic truths before going any further.

Income Generated = Volume of Sales x Profit Margin

The greater the volume of sales and the greater the profit margin for your product, the more income it will generate. Considering the extent to which you can maximize these will help you decide which activity to begin with.

Profit Margin
The profit margin is the difference between the sales prices and the cost of that product.

Profit Margin = Sales Price – Product Cost

Increasing the sales price or lowering product costs will therefore always improve the profit margin.

Sales Price
During your research you should have got a good idea of the range of prices that might be suitable your product.

For standard agricultural products, prices are often more or less fixed in a fairly tight price range. For less standard products and services prices can vary more considerably.

The sales price directly affects a product’s profit margin. It is particularly important however because it also affects demand, and therefore the volume of sales.

Generally the higher the sales price, the lower the volume of sales and vice versa. The level at which you set the price will therefore have a dramatic impact on income generated.

Costs
Lowering costs is a simple way on increasing your profit margin. Doing this successfully can however be complicated!

It is easy to know the sales price of a product, but much harder to know the product cost accurately – yet without this we cannot be sure what the real profit margin, and therefore whether we are really generating income or not.
Volume of Sales
The volume of sales that can be achieved depends first and foremost on
demand, which is heavily influenced by the sales price as already mentioned.

When starting up a new income generating activity production capacity will
also be an important factor in the volume of sales that can be achieved.

Production Capacity
The resources you are able to dedicate to your income generating activity will
determine your production capacity.

Production capacity will be affected by a number of fixed factors - for example
how much land you have - as well as others over which you have more
discretion, e.g. how much land is needed for other educational activities.

It is worth considering at this stage how easy it will be to increase
production capacity if your product is successful. Depending on your local
environment hiring extra workers may be easier than acquiring extra land,
or vice versa.
Strategies for maximising income generation

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

A school that wants to generate income has two choices:

i) to produce standard goods better than everyone else

ii) to serve unmet or under-met needs with new products and services.

Within each choice there will be a number of standard strategies for maximising income generation which build on the basic economics outlined earlier.

New Products & Unmet / Under-Met Needs

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

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

A new product does not have to be entirely new (in fact it is probably better if it’s not!), but just one that is not widely available locally.

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

The Value Chain: Capturing & Adding Value

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

A simple example might be a tomato farmer, who sells to a stall-holder, who sells to the public. The farmer and the stall-holder each have to make a profit for it to be worth their while. If the farmer could sell directly to the public without incurring too many additional costs, he might be able to capture more of the value of his product, and therefore generate more income this way.
A different example would be if our tomato farmer sold his produce to someone who dried them, and then sold them for more money. The person drying the tomatoes is adding value to them, which is why they can then be sold for more money. If the farmer can add value to his tomatoes by drying them himself, but without incurring too many additional costs, he can again generate more income in this way.

Depending on the local operating environment, schools may find it a useful strategy to try and capture more of the value of their produce – e.g. by selling it through a school-run outlet.

An even better strategy if they are able would be to add value to their produce - transforming standard products into higher value ones.

**Economies of Scale & the Division of Labour**

We note earlier the obvious link between production capacity and volume of sales – i.e. you can only sell the quantity you’re able to produce.

More important almost is the way in which how much you produce, and how you produce it, can impact your profit margin.

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

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

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

Another way to lower production costs is to use the people you have as efficiently as possible.
An example might be constructing a beehive, where we assume there are three steps involved are cutting the wood, nailing the pieces together, & painting the finished hive. If we have three workers, each worker could do all three steps themselves.

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

This is known as the division of labour. The difference it can make is particularly noticeable the more steps there are in production.
A Spectrum of Approaches
We’ve spent a long time looking at aspects of income generation that will be very similar for a school or for a regular business, and for a very good reason – no school will successfully generate income without taking a business-like approach.

Companies however exist fundamentally to make their owners profits, whereas the primary purpose of a school is to educate. Income generating activities can help provide the resources required to offer that education, as well as developing students’ entrepreneurial and technical skills.

The choice for schools is not between generating income and offering an education, it is how closely to integrate generating income with offering that education.

A spectrum of possible approaches exists as shown below.

At one end of the spectrum is the School Owned Enterprise. At the limit such an enterprise might be run as a regular business i.e. purely to generate income, with no educational component, and making no use of school facilities or personnel.

More probably a School Owned Enterprise would make some use of school facilities, such as land and buildings, and the experience of school personnel, perhaps in an advisory capacity.

In the middle is the School Integrated Enterprise. Here income generation is closely linked to the school’s educational mission by providing a platform for skills training and entrepreneurship education.

Students get involved in understanding the finances of the enterprise, learning and practising the technical skills involved in production, as well as the softer skills involved in team work, marketing and sales.
At the other end of the spectrum is the Student Run Enterprise. At its limit students have control of all aspects of the business - from deciding on the product, through to managing the finances, production and sales.

The school can still generate some income in this way as an equity partner (i.e. taking a return on its contribution to start up funds), through renting out its facilities, and in consultancy fees.

The **Income vs. Entrepreneurship Education Trade Off**

Which type of model you choose to use will depend on how you prioritise the need for entrepreneurship education for your students vs. income generation for your school (to support technical and general education).

Moving across the above spectrum a trade off can be seen to emerge.

In terms of maximising both income generation and entrepreneurship education within the same project the school integrated enterprise approach offers the greatest possibilities.

In the long run some combination of all three approaches will probably be best to meet both your students’ and your institution’s needs.

*For real examples of how these models can be used in practice, see the case study in Appendix i*)
## Writing it down in black and white

Having a detailed written plan for implementing your income generating activity will:

- Make it clear to stakeholders and participants what you intend to do and the benefits you expect it to produce
- Convince them that you have thought through all aspects of how your project will run
- Help to draw out uncertainties and areas where more thought or research is needed

Provide a tool for assessing how successful you’ve been at achieving your goals, as well as for learning from mistakes.

There is no right or wrong way to put together your plan, but it will have to answer some basic questions:

<table>
<thead>
<tr>
<th><strong>What?</strong></th>
<th><strong>Why?</strong></th>
<th><strong>How?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• What are you going to produce?</td>
<td>• Why do you want to start an income generating project at your school?</td>
<td>• How are you going to produce it?</td>
</tr>
<tr>
<td>• What resources will you need?</td>
<td>• Why have you chosen this particular activity / product / model?</td>
<td>• How much income will be generated?</td>
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<tr>
<td>• What will be the educational / financial benefits?</td>
<td></td>
<td>• How will the school use the income generated?</td>
</tr>
<tr>
<td>• What will be the risks?</td>
<td></td>
<td>• How will you assess the educational benefits?</td>
</tr>
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<tr>
<th><strong>Who?</strong></th>
<th><strong>Where?</strong></th>
<th><strong>When?</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Who will be your customers?</td>
<td>• Where will you get the resources from?</td>
<td>• When will you start?</td>
</tr>
<tr>
<td>• Who will take part in production (students or employees)?</td>
<td>• Where will you produce it?</td>
<td>• When will it become profitable?</td>
</tr>
<tr>
<td>• Who will be your competitors?</td>
<td>• Where will you sell it?</td>
<td></td>
</tr>
</tbody>
</table>

Presenting the answers to these questions in a clear and logical format will make the plan easier to understand and refer back to. An example format is given in Appendix ii).

At the core of any plan we there will need to be an assessment of the financial requirements and income expectations of the project.
The Budget
Having a detailed and realistic budget will not only enable you to convince others that your income generating activity is financially viable, but it will form an important part of the project’s financial management once it is up and running.

Your budget will set out how much money will need be spent each month, and what your estimated sales will be. This will allow you to quantify how much income your activity will generate each month, and eventually to track your actual performance against your estimated figures.

It will also help you work out your cash-flow and financing needs.

Cash-flow
When the project is first set up you may need to buy additional equipment, or pay for training of key personnel. This initial investment need is usually quite simple to work out.

Depending on your product however there may be some time before sufficient sales are achieved to cover the project’s ongoing financial needs. This shortfall in your cash-flow is your working capital requirement.

Your plan will need to make it clear where the money to plug this gap will come from.

Projections
It is difficult to produce a relatively accurate budget even looking only at the short term. The longer the timescale, the less accurate estimates become. Nonetheless it is still worthwhile producing financial projections for the project’s performance over more than one year.

Despite its limitations, this will give anyone interested a good idea of how you want this activity to develop over the longer term - which may even shape their attitude towards it today!

It will also mean that at the end of the first budget period you already have some idea of where the project should be going next.
CHAPTER EIGHT
Making It Work

Once an income generating activity is underway the quality of your research and planning will really be put to the test.

Although both are vital in starting up a new income generating activity at a school, making it work in the longer term will also depend on your ability to manage operational challenges.

Financial management
To run profitable businesses within a school requires accurate and timely financial information on which management decisions can be based.

You will have had to address issues related to this in the planning stage, such as how you will keep your accounts, and who will be responsible for them.

Often it will make sense for an organisation’s regular finance people to manage accounting needs, but for the activity’s accounts to be maintained separately from those of the school, with periodic consolidation. This reflects a general need for the finances of an income generating activity to be more closely and regularly monitored than for a typical school.

Whether this is the best solution will of course depend on what model is being used.

While the accounts provide an view of how income generating activities are performing overall, as soon as there is more than one product it becomes increasingly important to understand the costs associated with each particular product.

This is because there is a natural tendency to try and maximise the value of sales, whereas more income can be generated where you maximise the volume of sales for the highest profit margin products.

How well you are able to determine the real costs for each product will therefore make a big difference to the strategic choices you make and hence to income generated.

Risk Management
There are many risks involved in running a business, from external events such as droughts or floods, as well as internal ones e.g. deficiencies in financial controls leading to money going missing.

Depending on the activity undertaken some types of risks will be more important than others, and will reflect both the likelihood of occurrence, and its potential impact.

To succeed in the long term in generating income for your school you will need to continually reassess these risks and take steps to either reduce them, where possible, or to have contingency plans in case they materialise.

Even more importantly effective risk management will help to ensure that harm to the school’s finances is limited even in the worst case scenario.
Staff & Student Motivation
At its heart entrepreneurship is about making money, and it is this desire that provides the necessary motivation to succeed. A major factor in the success of your income generating activities will be the level of motivation of your staff and students, so it makes sense that they should also have this financial incentive to succeed.

How to manage such financial incentives in the context of an educational establishment will depend very much on the income generation model chosen, and the balance of involvement and responsibilities of participants.

Useful as financial incentives are, they must still be used with care to ensure that they do not interfere with the institution’s educational priorities.
INCOME GENERATION AT THE SAN FRANCISCO AGRICULTURAL SCHOOL
Paraguay

The San Francisco Agricultural School (SFAS) in Paraguay is a private co-ed senior high school run by the Fundación Paraguaya, a leading local NGO. Its 120 pupils aged between 16 and 18 live on-site and follow a three year course leading up to the nationally approved high school diploma in agriculture.

What is more interesting about this school is the substantial amount of income that it generates from its own activities – currently covering over 50% of total school costs – and how these activities are used to increase the relevancy of learning within the school.

Although at the school no such distinction is explicitly made, the approach at SFAS demonstrates each of the three broad models for income generation and entrepreneurship education outlined earlier in this paper.

School Owned Enterprise
SFAS has several school owned enterprises which serve a number of functions as well as income generation. A typical example is that of the road-side store.

The road-side store is situated approximately 1km away from the school on the main highway running through the region and:

- Acts as a general store serving the local community
- Provides an outlet for sales of school produce
- Raises the profile of the school’s academic mission
- Assists cross-marketing of other school enterprises (e.g. its hotel)
- Offers a test-bed for new products and pricing strategies

The store is run as a stand-alone business by dedicated employees and its performance assessed primarily in terms of its income generating capacity. The store’s educational function is limited except for its use in lessons as a live example of the challenges of running a small business.
**School Run Enterprise**
SFAS’s school run enterprises directly combine income generation with an opportunity for the students to learn and practice both technical and entrepreneurial skills.

A good example of this is the school’s fresh vegetable business. Students’ practice bio-intensive small-scale organic farming in the fields, developing their skills as agriculturalists, and reinforcing theory learned in the classroom.

Each week produce harvested is taken by the students to the local market for sale. Dealing with customers, making sales, and experimenting with presentation, helps students to develop softer, but extremely important entrepreneurial skills.

Records kept by the students of inputs used, yields, and sales, develops a disciplined approach to monitoring their activity, and are used in lessons to illustrate the economics of the vegetable business.

While students are intimately involved in all aspects, ultimately responsibility for the profitability of this unit falls to the Head of Agricultural Production, a qualified agronomist and teacher.

Within the constraints of meeting curricular needs, it is this accountability that ensures that the focus of teaching lies on techniques and products that will generate the most income for the school, *and for this same reason are most relevant for the students.*

**Student Led Enterprise**
As part of its mission to promote entrepreneurship SFAS has supported the establishment of a number of student led enterprises within the school.

A group of students form their own ‘company’, decide on their product, and assign positions and responsibilities to the group members. The process is mentored from an outside facilitator, normally an experienced business person who is able to offer advice when needed.

All aspects of the business are run by the students, who also share in its profits should it succeed. Its life-span is limited by agreement from the outset.

Opportunities exist for the school to both support these initiatives and to generate income at the same time. Where the school chooses to become a shareholder it benefits from a dividend, as well as a share of the companies assets. For products manufactured using the school’s facilities, and sold via the school’s distribution channels small charges may be made.

Such profit-sharing and charges in reality are designed to increase the realism of the students’ experience. As the primary purpose of these companies is educational they do not generate substantial income for the school.

It is interesting to note that when students are given free-reign in this way they often come up with more creative and successful business ideas than the school’s management. Such companies when they have run their course may even develop into school owned enterprises in certain cases!
Lessons Learned

The experience of the SFAS shows that there are numerous strategies capable of generating income for a school. By far the larger part of income generated is through school owned enterprises, but this is not to downplay the benefits of school run and student led enterprises both in monetary terms and for their educational importance.

At the heart of the school’s success is:

*Strong & entrepreneurial leadership*
An administration prepared to accept some measure of risk for the positive financial and educational benefits they might bring the school

*Good financial management*
The importance attached to detailed record keeping, analysis of which can then enable effective management decisions to be made.

*Innovation and experimentation*
A recognition that financial and educational progress can only be made by trying new methods and building upon those that succeed.
## Appendix II

### Executive Summary

**Summary**
- Basic description of the scheme proposed
- Key financial and educational benefits

### Background to the Scheme

**About the school**
- Brief history, location, description of region
- Type of school, government / private etc., partners, governance
- Number of students, age range, gender mix, typical background
- Land available, owned / rented, other facilities relevant to this scheme
- Comment on support for the scheme from key stakeholders
- Comment on any existing income generating activities at the school

### Description of Proposed Activity

**About the activity**
- Description of the product / service
- Indication of the scale at which you aim to operate
- Key factors involved in production / service delivery
- What gives you the confidence that you will be able to supply this product / service at this scale?
- Environmental impact of the activity
- Legal and tax issues associated with the school pursuing this activity

### Description of Market

**About the market**
- Who is the market, i.e. who will be your customers?
- Where are these customers located? How big is the market?
- How does the need for this product vary, over the year / with the economy / with the climate etc.? Are there any trends in the market?
- Who is the competition? What is the key to success in this market?
- What market research have you undertaken?
### MARKETING & DISTRIBUTION

**Marketing your product/service**
- Where will you sell your product / service?
- How will you make potential customers aware of your product / service?
- How will you make your product attractive to customers - through emphasising price / quality of service / quality of product?
- How will you distribute / transport your product?

### OPERATING PROCEDURES & EDUCATIONAL COMPONENT

**How your activity will run**
- Who will assume overall responsibility for the scheme?
- What will be the relationship between the school management / board of governors and this activity?
- Who will undertake production tasks, and where?
- How will production be supervised?
- Who will be responsible for sales? Will incentives be used?
- Include a timeline for the implementation of key aspects of the plan.
- What risks are there in this activity? What are your contingency plans?
- How will students be involved in the activity? What time commitment?
- What will students learn from their involvement?

### FINANCES

**Income generation & financial management**
- Include a detailed budget for the first year outlining what initial investment will be needed and what it will be spent on.
- How much working capital will you need?
- How will you fund your initial investment and working capital needs?
- Include sales and expense projections over next 3 – 5 years.
- Include a breakeven analysis* with assumptions used.
- How will you assess your financial performance?
- How often and to whom will you report it?
- Who will manage your accounting transactions (cash, receipts, invoices etc..), and how will these be managed (using schools system or not)?
- Include a set of the school’s accounts for the last year for reference.
PERSONNEL

About key project personnel
- Include a brief description of the background experience (in education, and commerce) of key personnel: Project manager, Production Managers etc..
- Where one person has various responsibilities give a description of these

CONTACT DETAILS

Contact details
- Include contact details for school and project manager

*Break-even analysis
The break-even analysis shows how much of your product or service you need to sell each month to cover your costs (after which point you begin to generate profits).

This will depend on your fixed monthly costs, the variable cost per item produced, and the sales price.

Eg.

Fixed costs p. month $1,000  Variable cost per unit $1  Sale price per unit $2

The break-even point in this example occurs when 1,000 items are sold.
Note:
The information contained in this document aims to provide guidance to schools on how to implement an income generating strategy; however it is not intended to be comprehensive. Depending on the nature of the institution and the environment in which it operates, there may be additional legal and other requirements which will need to be met which are not discussed in this paper.