# 7. How do we plan and operate?

The following section is targeted towards jointly managed farms. However, the contents can also easily be applied to cooperations between independently managed farms. In the case of cooperations between independently managed farms, the elements of planning, control and transparency described below only refer to the divisions of the company concerned; there are areas of each business that the entreprenuers from the other business do not need to look into.

**Why does it make sense to talk about planning and operations?**
There is a certain "tension" between a task and the ideals associated with it (e.g. cowshed with cow-bound calf rearing), and the necessary income orientation (e.g. milk money). This tension is compensated by a good, systematically repeatable performance. Performance is the confident handling of complex processes in a company. Freedom is created when structures and processes are clear and reliable and methods and tools are competently mastered. Then creativity and improvisation do not serve the daily survival, but benefit the quality and joy of work, and thus also the customers.

The basis of every important decision within the work areas is that the consequences of this decision are mapped in the budget planning in a way that is comprehensible and plausible for everyone. This applies to the consequences of debt service, arising fixed and variable costs (attention: take into account the working hours of the entrepreneurs) and the expected revenues.

Budget planning and regular comparison with the current financial accounting (FiBu) are often completely unusual activities for smaller companies, especially in agriculture. The sole proprietor embodies these elements in one person and often has them successfully under control "from the gut." In communities, the transparency and traceability of the business through planning and reconciliation is an essential basis for peaceful interaction.

Principle 1:

During the phase of planning and decision-making, all parties involved equal opportunity to influence the design of the plan.

Only when final decisions have been made, i.e. the budget for the coming year has been jointly approved, can you no longer make changes to plans and operations without noticeable consequences. For example, if more is spent in one place, more must be earned or less must be spent in another place.

Principle 2:

A budget is adopted jointly, thus defining the framework within which individuals can act in their area of responsibility. Everyone agrees to adhere to the parameters decided jointly and to accept the responsibilities and consequences for their individual actions in their area of work.

Principle 3:

A budget should generate enough profit to ensure the livelihood of the participants as well as the necessary funds for sustainable operations of the company.

Principle 4:

The profit or loss in a jointly controlled entity never belongs to one or on set of individuals, such as an employee with a fixed salary, but always involves "sharing/distributing" the profit or loss, and participating in the success or failure of the enterprise.

 **The degree to which an individual contributes to the success of the whole enterprise - from task and responsibility areas, to skill training and planning results - the leeway that the community gives the individual in his or her area of responsibility (limitation in the amount of expenditure, etc.) is a question of trust, which is dealt with in the next section.**

**In what context do we recommend working on planning and operations?**
We see annual planning as an important and routine process for each community, which should be completed before the beginning of the business year.

In addition, factors such as work overload, lack of profit, escalating costs, doubts about the skills of individual members in the community, etc., make it necessary to work especially hard on the components described in this section.

**Work steps**

The planning can be done individually for each farm enterprise, but also as shown in the enclosed examples and tables.

Core element: Budget planning
For good cooperation in a community, it is fundamentally important that the planning, and especially the budget planning, including a transparent profit and loss statement (and possibly also a balance sheet) is nderstood by all responsible persons. In good budget planning all activities and all investments for the coming year are represented. With the joint adoption of a budget, all parties involved agree to these identified activities and the planned investments.

Quarterly comparison of planning and results
Budget planning requires regular reconciliation with current financial accounting. Ideally, budget planning and liquidity are compared quarterly. Then an effective control element for unplanned changes is available.

As examples of good and sustainable planning, the "Examples" folder contains budget planning for companies of low, medium and high complexity.

Planning for personal withdrawls

Personal withdrawals are also part of the budget planning. This requires a regulation of the distribution of profits. In communities this often represents a great challenge as to the criteria according to which this should be carried out. As a suggestion we would like to list some possibilities here:

1. Distribution by number of people. If all shareholders receive the same share, the prerequisite is that similar conditions prevail in terms of work input, needs and age. All partners, and possibly their partners, work in equal shares (e.g. all partners are fully employed in the company).
2. Distribution according to work input: If the conditions are different with regard to the work input, the profit can be distributed accordingly. (e.g. If only one person works and they work 100 % of the time, they receive the whole share of profit )
3. Distribution according to needs: It can also be useful to distribute according to needs. Families with young people generally have higher needs than an older couple without children.

In short, the following points must be observed: You are free to decide how you distribute the profit (only the tax principles have to be observed). However, the decision is subject to the resolution of the partners' meeting and should be unanimously agreed upon.

Examples and supplementary information

In addition to the examples for budget planning, we have included a business plan as an example for the planning of new operations or new branches of an existing business.